MARKET SEES INFLATION—DEFLATION STRUGGLE

The MAGAZINE of WALL STREET
and BUSINESS ANALYST

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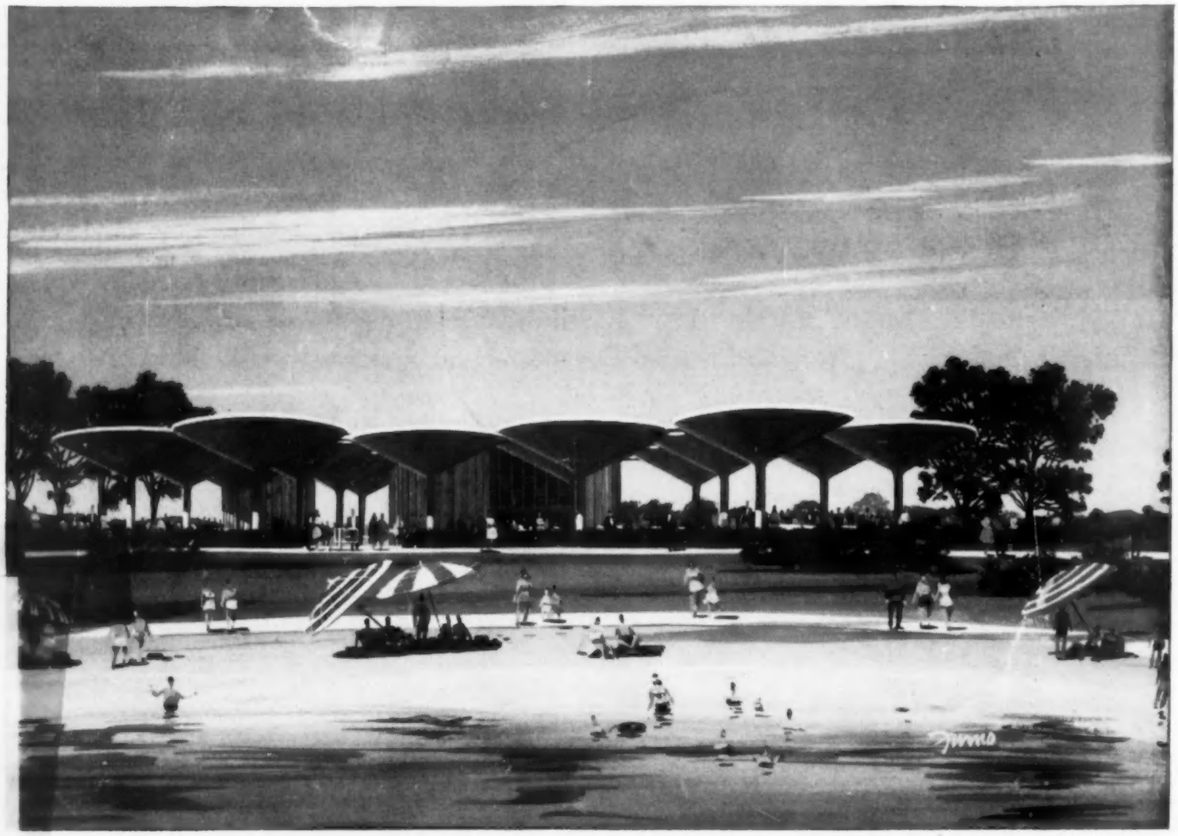

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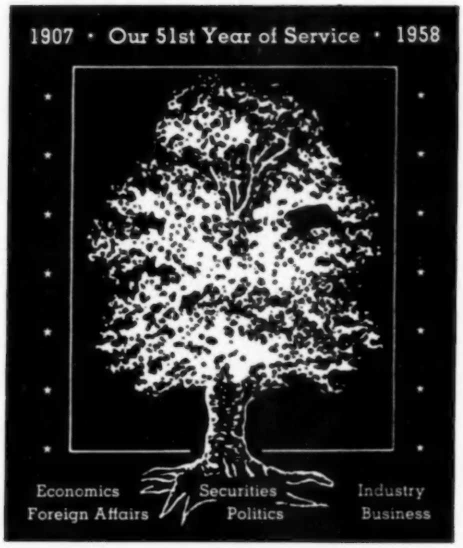
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

THE VOICE OF EXPERIENCE . . . The solutions Mr. Bernard M. Baruch suggests are always sound because he has no axe to grind. A wise man, he thinks objectively and in a way that usually produces the correct answers.

He was giving our lawmakers the soundest kind of advice when he said, "we must prevent further deterioration of the credit of the United States . . . and reject all tax reduction and pump-priming proposals which require deficit financing"—for that is basic in the light of our 50¢ dollar. In truth, this is a matter of first consideration if we are to solve our problems, rebuild our economy soundly and avoid the kind of devastating inflation that could destroy the value of our currency and impoverish the people of this country.

There was a show of uncommon courage too when he advocated a tax increase to finance necessary spending. And when he was asked whether he was in favor of increasing the 52% tax on corporate profits —his response, "what is sacred about that?", will become a classic. Nor did he hesitate in making it clear that destruction would follow in the wake of inflation and boondoggling.

Maybe, like Mr. Churchill, his words were a call to the powers that be, and the people of the country at large, that if "blood, sweat and tears" was necessary to solve our problems, they should stand ready to meet any challenge that necessity may impose.

But the most important message between the lines was that the urgency of the times calls for a deep understanding that each individual is governed by the rise and fall of our national well-being—that wisdom of action means success—that folly makes for disaster. And, furthermore—that each and every one of us can help by shouldering his own responsibilities instead of calling upon the government to do so. We should take to heart his concluding soul-searching question—"whether we as a people—as individuals—have sufficient character, wisdom and courage to face the facts of our situation, recognize the mistakes we have made and correct them in time." Our country's future hinges on the answer.

WHAT IS BEING DONE TO HELP . . . While the government is in confusion about what should be done, practical businessmen and bankers are already taking the steps to alleviate financial distress among the unemployed and those who find it difficult to meet mortgage and other obligations.

It was interesting to note that various banks and finance companies in distressed areas have declared moratoriums on principal payments, so long as the interest on the indebtedness is being paid. Today it appears they are showing a wisdom that was not true years ago. A humane and understanding policy is being substituted for the rigid contract enforcements of former days, when homes were foreclosed quickly and personal property was repossessed.

And it is good business too, and shows there is a realistic approach to the situation and recognition that a sudden dumping of second-hand goods, cars and homes on the

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS::1907–*"Our 51st Year of Service"*–1958

market can only destroy values and accelerate the downward spiral of the economy. On the other hand, by not currently pressing for payment of obligations, values are sustained and people are left with their self-respect, and under such circumstances the record shows that they make a serious effort to meet their commitments as soon as they are able to.

So far, repossessions have not become a nationwide or large-scale problem, and already the initiative being shown by financial organizations is encouraging the spread of this new kind of enlightenment. And this is all to the good—because every step we take to solve our problems in cooperation one with the other, is bound to mitigate the extent of the recession.

SIGNIFICANCE OF THE CANADIAN ELECTION . . . The Conservative Government in Canada won a smashing victory, with the greatest majority in its history, on a platform clearly showing the depth of their resentment against the United States.

This should give us something to think about, because it is apparent that Prime Minister John Diefenbaker received a clear mandate from the Canadian people to carry out a program of greater trade with Britain and less with the United States. Back of all this is the expressed resentment of the Canadians over the extent to which Americans own Canadian industry, and the long-smouldering feelings about our surplus disposal program, which has expressed itself recently in the sale of Canadian grains to Red China.

In the test as to how to best combat the recession, the Canadians turned their back on Mr. Pearson's suggestions for slashing taxes and decided in favor of Prime Minister Diefenbaker's public works program. Since their fiscal affairs are on a sound basis they are in a position to implement justified public works projects, particularly in undeveloped areas that can help to expand the wealth of the nation. At the same time, however, they rejected wholeheartedly the idea of massive deficits to finance public works. Having in mind the effect such spending had on the national debt of the United States and the value of the dollar—and its decline in relation to the Canadian dollar—they decided on more realistic and practical steps.

As a member of the Commonwealth too, they undoubtedly felt they could strengthen the bonds by orienting their trade toward Great Britain, for greater solidarity, profit and political strength. It seems that the expansion of American interests in Canada, therefore, will tend to slow up, while British interests will expand as they seek to benefit from their opportunity to participate in the great development of Canada's enormous natural resources, and greater industrialization.

By working together with the English and the Canadians, we in the U.S.A. can bring our interests into better balance. That is what American financial and businessmen are aiming at now.

70 MILLION CARS . . . The report that there are registrations this year for 70 million cars in active service is something to think about, not only because it gives us the answer to the unbearable traffic conditions, but because these autos represent an initial cost of nearly $200 billion—a large slice of our yearly national income. Add to this the cost of upkeep, repairs, insurance, gasoline, storage and parking, and it becomes the most costly item as an auxiliary to our daily living—an item of considerable cost out of a week's salary for transportation alone.

This situation is due in a large measure to the fact that outside of New York City, Boston, Chicago and Philadelphia, which have either subways, suburban trains, regular busses, or all three—the rest of our sprawling cities have virtually no other form of transportation except a few intermittent busses or trolleys.

This is a situation that must be remedied. When you consider that a city like Detroit, spread over many miles, has no other means of transportation than the automobile—that the roads are so bad and the traffic so congested that people have to arise at the break of day in order to get down to their work—you realize a change must come. In many cities across the country, a man must travel four hours a day to go back and forth from his home to his job.

Moreover, the automobile having practically killed railroad transportation, one train after another is being discontinued, and the cost of travelling on those that remain are subject to a constant rise in price.

Altogether, this situation has made it difficult to get help to the cities and has greatly increased the cost of both manual and white collar workers to a point where it has become uneconomic, and an increasing number of workers prefer to secure jobs close to home to avoid the cost of commuting.

Thus, the scarcity of help and the high wage demands (the salary of a clerk-typist, for example, has risen 400% since the beginning of World War II) caused many organizations to move their plants into the suburban areas. This trend away from the cities has created a great many disturbing economic problems, and if it weren't for the suburban shops which have been established in the various areas following the exodus from the cities these past several years, a great deal of financial strain would be felt by the big city retailers.

The situation clearly calls for correction. The automobile market is so thoroughly saturated that on any day you can see lines of cars bumper to bumper held up for hours at a time—and the new road building programs are becoming a heavy tax on the people. It is clear that something must be done to ameliorate the situation before we run into an impasse.

Apparently the Ford people have been thinking about this too. Their announcement of an experimental wheel-less vehicle which they expect to develop into a new form of high speed land travel sounds very interesting indeed, because this device, called "Glide-air", travels on a thin film of air a short distance above the roadbed, and is based on a new principle. It is said that this scooter-like device can fly at high speed, using air as a lubricant, and that it could travel from Detroit to Chicago in less than an hour, supplying sufficient force to carry a 300 pound load, skimming along on the air and having no road friction.

This is the first of the many innovations that are likely to emerge to meet the great need of our expanding areas and population growth. And something must be done for the railroads too, who have to finance thei rown right-of-way, take care of maintenance and taxes, and at the same time, compete with auto, truck and air transportation.

Altogether it is something that we should be working on now and is one of the most forward-looking steps we can take toward cutting costs in the various areas of transportation—road building—and preserving the life of our great cities.

As I See It!

By CHARLES BENEDICT

IT WAS AN OBVIOUS GIMMICK

There is no question that Russia hoped for a propaganda victory when she called for the end of nuclear tests.

But behind the scenes there is a real economic necessity for this step. Her people, aware of the higher standard of living even in the adjacent countries, and the luxury across the seas, in the countries of the Western Hemisphere, have become restive. Four generations of Russians have already been sacrificed to maintain the Soviet absolute dictatorship. Millions of people have died of starvation during these past 40 years. In 1935, the mistakes of their agricultural policy in the Ukraine condemned five million people to death.

There is no doubt that the Russian people are restive, so that Khrushchev must continually keep them in line by making them believe that the menace of the West has forced them to continue to concentrate on "guns—rather than butter." And he used the dove of peace as we neared the Easter Season to demonstrate great goodwill to his own people and the people of the rest of the world—to show that if the bad boys of the West "would only agree" to disarmament and stop the nuclear tests all would be well and the supply of consumer goods would be readily forthcoming.

Actually, while there is a great deal that Khrushchev could do to make living bearable, the great shortage of housing, the crowded quarters and lack of adequate utilities curtail the need for modern conveniences, and therefore make it unnecessary for the U.S.S.R. to engage in a massive campaign of production that would place the Russians on a modern standard of living. We often wondered whether it was planned that way, so that their wants for consumer products would be limited, permitting productive capacity to be concentrated on the implements of war.

In fact, the restlessness of the people has been mounting ever since the end of World War II. Only during the past decade have they become aware of how their neighbors lived, and the word has seeped through regarding the standard of living of the people of the West. And they are aware too of the huge sums that are being spent by their government to help support other countries, and they would like a share of that for themselves, in the same way that the people of the United States feel that "charity begins at home" and that a great deal of the money we are spending abroad could be used for reclamation and development purposes in our own country.

First and foremost, Russia needs a tremendous housing campaign as a base for the production of consumer goods. Even clothing is hard to come by — and terribly expensive. In a recent TV showing scenes from the Russian revolution, there was a marked difference between the fine coats and Astrakhan hats worn in 1917, compared to the shoddy clothing, caps and babushkas of the Russian people under the Soviets.

We must therefore conclude that the reduction that Russia demands in the armed forces, and her willingness to take the first step herself, is a grandiose gesture actually based on necessity—on a shortage of labor needed to satisfy the modest wants of the Russian people today. And that back of her call for banning the testing and production of nuclear weapons is the need to cut down the vast sums involved that could be diverted to the production of consumer goods, in order to quiet the restlessness of the people and make them feel that at long last something is (*Please turn to page* 120)

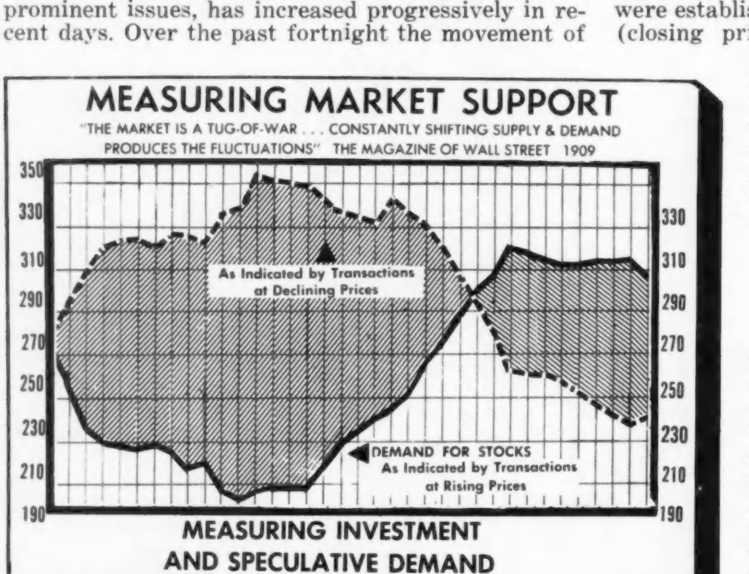
Market sees Inflation-Deflation Struggle

The question about a possible extension of the recovery phase of recent months has evidently been answered in the negative. Instead, the market is confronted with a downside test. Deterioration in business and in earnings of many companies is continuing, and deflation appears to hold the upper hand for the present. A good many dividend cuts may be ahead. A cautious policy is advised. Hold adequate buying reserves.

By A. T. MILLER

Where prospects for profits and dividends of individual companies are satisfactory-to-favorable, stocks continue to hold up well or to work higher. Examples are fairly numerous in the service and consumer soft-goods industries. Otherwise, most stocks have for some time either been going no place in particular on the upside or losing ground; and the number on the losing side, including quite a few prominent issues, has increased progressively in recent days. Over the past fortnight the movement of the industrial and rail averages was downward in substantial degree, with increased momentum last week.

Emphasis has shifted from talk of Government moves to combat the recession, and the presumed inflationary long-range implications of such intervention, to the unpleasant immediate fact of continuing deflation. The tops for the whole recovery phase were established as far back as February 4 at 458.65 (closing prices) for the industrial average and 111.16 for rails. While the subsequent performance was indecisive for some time, there were indications of deterioration in the market's position as seen in limited short-swing rallies. Thus, the March 11 rally high for industrials was 455.92, the subsequent March 24 high 453.75. The technical pattern for rails was similar.



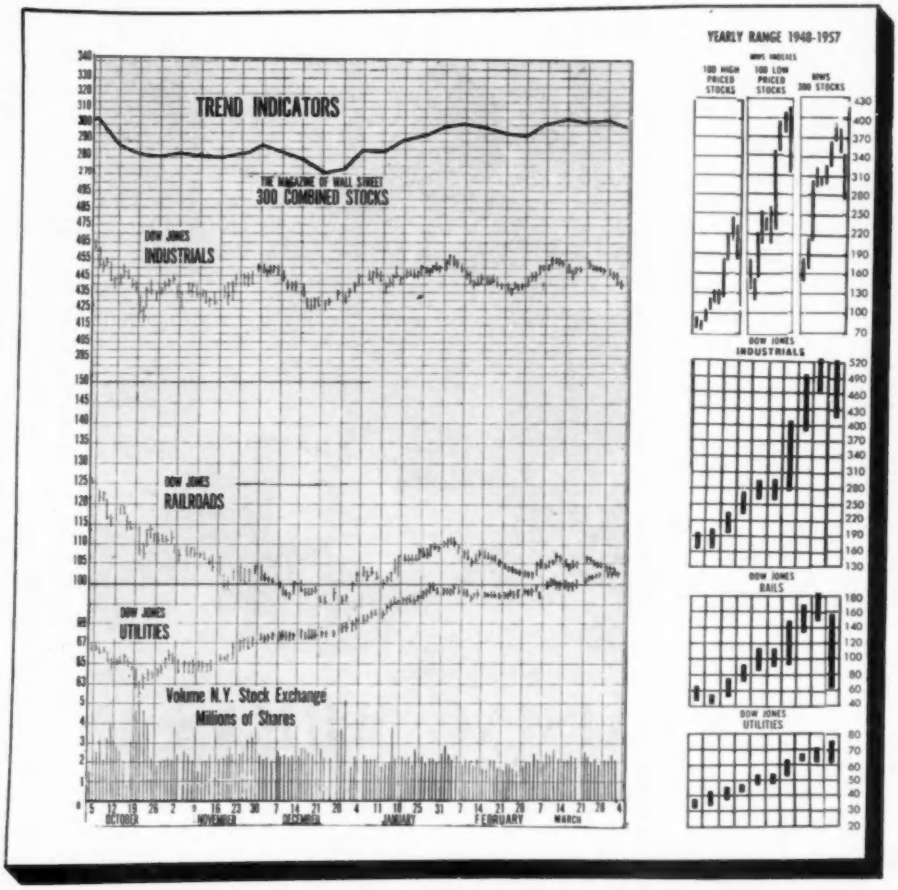
Out Of The "Corner"

We pointed out in previous discussions that the averages had been "working into a corner", out of which they would have to move up or down before long. In view of the continuing deterioration in business activity and corporate earning power in a number of important industries, it does not surprise us that the break-out has now come on the downside. The rail average is already back within close distance of its poorest 1958 level. The next support level of real significance is its December 24 bear-market low to date of 95.67.

The industrial average was down to 440.50 at last Friday's close, and thus uncomfortably near its 1958 low of 436.89 recorded February 25. The solidity of the latter is dubious. The support area of real technical significance is the range of roughly 425-419, as indicated by last December's low of 425.65 and last October's downtrend low to date of 419.79.

In our view, there is ample basis for an extension of this downswing between

now and late Spring, probably wiping out at least the greater part of the whole recovery phase and possibly testing the 425-419 support area. Bear in mind that the market is thin enough to be responsive even to relatively moderate supply-demand shifts; and that, while the swings may seem wide in points, the whole range of movement by the average from the October low in over five months was less than 10%. Thus, last week's lowest close was less than 4% above the December low and less than 5% above the October low. That is no great distance to travel in an environment which provides more basis for investment caution, if not apprehension, than for confidence.



The recession may be near bottom, but average second-quarter business activity will be under that of the first quarter; and no basis for third-quarter improvement can be cited. It is too early for much conviction about the fourth quarter. It should bring at least some seasonal betterment, with anything more than that problematical. Earlier hopes of some Spring improvement have been abandoned; we hear less confident talk about a final-quarter rebound; and we see a gradual shifting of start-of-recovery forecasts to "the forepart of 1959."

Lagging as usual behind events, the February statistics show further shrinkages in total manufacturers' sales, new orders, order backlogs and inventories. They have undoubtedly continued through March and into early April, as judged by the available weekly indicators. Two of the latter are steel operations and automobile output. Both are still sagging. The current scheduled steel operating rate is little over 48% of capacity, with tonnage output the lowest since mid-1949. March auto output, reflecting acutely-depressed retail sales, was 9% under February's, 38% under a year ago, and the lowest in ten years. The earlier Government forecast of a 1958 rise of about 5% in total construction outlays, due largely to higher costs, already needs downward revision. Pointing inevitably to reduced outlays at least over nearby months, new contracts for housing and for total building fell substantially further in February for the third consecutive month.

There has been much talk about rapid inventory "correction" as a basis for later business improvement, via replenishment. But whether inventories are high, about right or low depends on the course of sales and new orders. As long as its current business is bad, any concern will strive to hold inventories to a minimum. Measured in relation to sales, there has actually been no inventory correction. Total manufacturers' inventories at the end of February were 2.05 times sales, against 1.98 last November (the first month of inventory paring), and 1.80 a year ago. Those in durable-goods industries were 2.65 times sales, against 2.33 last November and 2.09 a year ago. The ratio for durable goods is higher than at any time in the 1948-1949 or 1953-1954 recessions. Judged by final data on those two recessions, inventory liquidation in the present instance could go considerably further.

Earnings And Dividends

The first-quarter earnings reports are going to show steep declines in a great many instances. Some investors may be prepared for the bad news, others not. Moreover, it will not be "climax" news. That is, where earnings are seriously depressed, they will in most cases either remain so or shrink further in the second and third quarters. That is why there is now more and more nervousness about the continuation of unearned or narrowly-covered dividends, including those of at least some major corporations.

In general, cyclical stocks and growth stocks are by no means cheap in relation to earnings or as judged by yield factors. What about long-pull inflation? For reasons requiring more space than there is room for here, but meriting later discussion, its significance for stock *(Please turn to page 120)*

APPRAISING AREAS IN THROES of BUSINESS ADJUSTMENT

— with unemployment, industry-by-industry

BY HOWARD NICHOLSON

WASHINGTON action to cope with unemployment so far has shown more speed than direction and care must be taken that we do not commit the error of trying to find cure-alls without first making diagnosis, and then prescribing specifics. Needed is awareness of the fact that payroll atrophy is not a disease springing from a single cause, manifesting in never-varying severity, or something which can be treated in a vacuum.

The illness is acute. It cannot wait for slow moving laboratory tests but, in the first instance at least, calls for an immediate transfusion to feed the arteries formerly supplied by the normal heart beat of business; it needs more unemployment benefits, over an extended period of time. It needs them now!

A public building planned for Walla Walla may produce jobs and a measure of purchasing power for Walla Walla—eventually. It means nothing today to the jobless insurance clerk in Hartford. And the fact that a link in the transcontinental highway traversing Ohio will be built this year instead of two years hence, doesn't translate into this week's grocery money for the textile worker in Georgia.

A glance at the accompanying map and tables shows how divergent is the pattern of unemployment. This is true of geographical dispersal; it's true, too, in effect on industry. There is a plethora of local problems that must be isolated before they can be treated. But the first manifestation of all is a present lack of family maintenance money. Hence the importance of prompt action on jobless benefits. That means buying capacity in the hands of the people now, and in the days ahead when giant public works, highway and building programs can be moved along the drafting room assembly line, readied for ultimate use if the need still exists. This much is certain: public works and buildings are not the answer to today's problems. They cannot be converted into pay checks in time. The Nation has had experience in a wasteful system of forced draft project promotion in the New Deal days: the country had reached the stage of choosing between economic collapse or a perpetual building and boondoggling program, when Pearl Harbor came along and made the decision for us.

If today's recession is only *somewhat* more extended than the Administration professes to believe it will be, a public works program wouldn't be ready before business is well on the path to normalcy; if the depression continues beyond such a point it will

be too late for projects, alone, to be effective.

A Federal tax reduction for the lower-income class would be meaningless to the 5.2 million persons who have no wages today—cutting zero by 10-20 per cent! Excusing withholding tax deductions for one or several months merely shifts the burden to next year, and multiplies the problems.

Organized Labor with its billions of idle funds can put its money where its sympathy appears to lie. If unions can hold out the offer of an average of $30-a-week per member for strike benefits, they can do their members (who own the money, after all) a timely and needed service by adding now to social security payments. This would jog up purchasing power, without which business cannot produce, inventories cannot be rebuilt, or normalcy glimpsed.

The Employment Pattern

Examination of the accompanying map showing "Insured Employment in February 1958" discloses 9 per cent-plus unemployment in 17 states; it shows 6-9 per cent unemployment in 19 states; 4-6 per cent unemployment in 10 states; 2-4 per cent unemployment in 2 states; no state with less than 2 per cent of its insured having no job. The national average is 7.5 per cent.

In the month of January, 21 centers of employment moved into the Labor Department's Group D ("substantial labor surplus"). A review of these areas to discover what contributed to the jobless rolls, what the affected industries are, and related subjects, is essential if one is to know what the problem is: how extensive; what lines must be steered to a normal business pattern if the economy is to get back on even keel? Since the shifts from Group C ("moderate labor surplus") to Group D were the most numerous changes, examination of that area seems essential to a proper understanding of the causes and components of the recession. In some instances, data for March, to be collated after April 15, may indicate some additional shifts. Here is the story on shifts from C to D:

Bridgeport, Conn. Reductions in machinery, aircraft and electrical equipment boost labor surplus to substantial levels for the first time since 1949. Joblessness more than doubled between early fall and the turn of the year. No appreciable improvement anticipated to April.

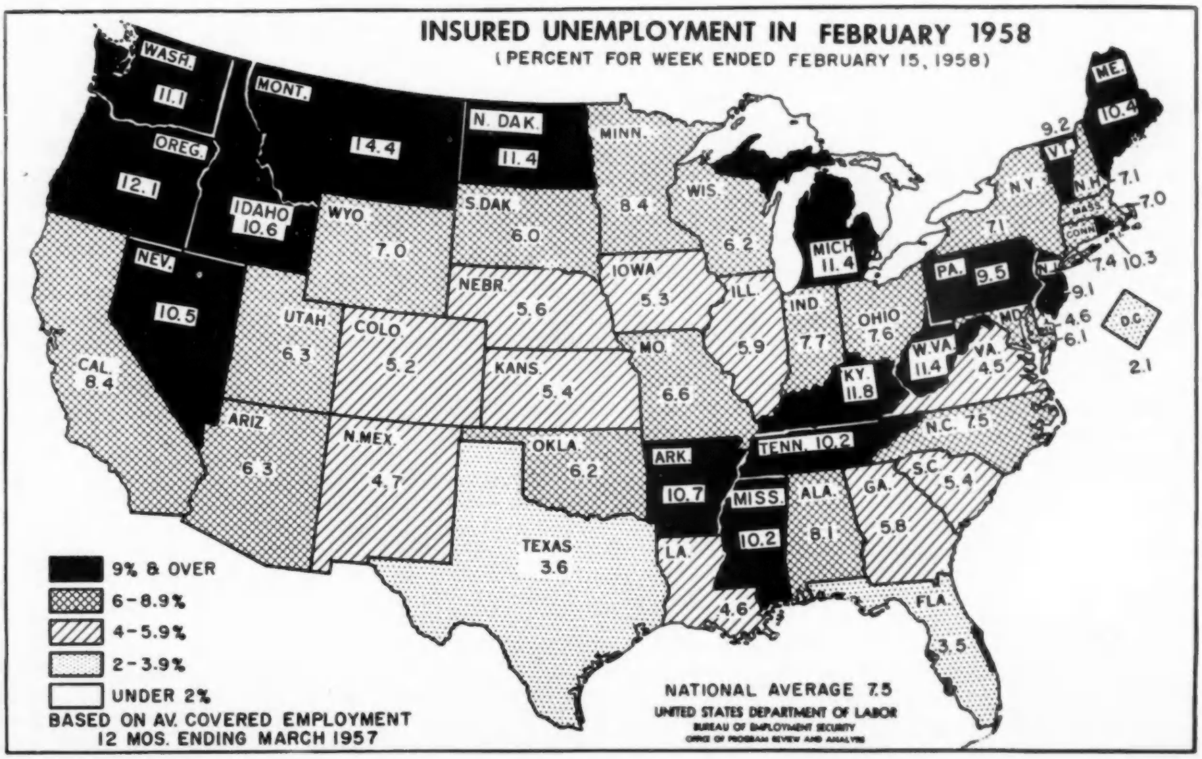
Waterbury, Conn. Labor surplus rises to substantial levels as cutbacks in textiles and instruments augment effects of longer-term declines in metals and rubber products. Additional curtailments scheduled in fabricated metals (closing of plant).

South Bend, Ind. Unemployment reaches substantial proportions as dominant transportation equipment (autos, aircraft), nonelectrical machinery, rubber, foundry products, curtail employment. Substantial labor surplus expected to persist to early spring as durable goods production level continues low.

Louisville, Ky. Most of the area's major factory industries down since one year ago; household appliances, chemicals, lumber-wood products, ordnance pace declines. Some additional losses to mid-March anticipated in food processing, ordnance and government contracts.

New Bedford, Mass. Layoffs in electrical machinery, other durables, principal factor in unemployment increase; locally-important textiles and apparel group also edges downward. Little change in area's unemployment situation likely over the next few months as ordnance, radio-TV industries schedule additional cutbacks.

Battle Creek, Mich. Joblessness rises sharply at



year end as locally-important breakfast foods, autos, electrical, nonelectrical machinery curtail payrolls. Some seasonal pickup in factory employment is likely by early spring, although not sufficient to lift area unemployment out of the "substantial" level.

Kansas City, Mo.-Kans. Area payrolls generally declining over past few years, show further drop at the turn of the year. Recent losses centered in durable goods—glass products, metals, defense related chemicals (explosives). Expected increases in March are primarily seasonal.

St. Louis, Mo. Aircraft layoffs principal factor in factory downtrend; smaller losses also registered in primary metals, ordnance, food processing and chemicals. Unemployment at highest level since 1954. Some additional curtailments in mid-March appear likely in aircraft, ordnance and food processing.

Newark, N. J. Factory payroll declines, affecting most of the area's major industries. Electrical machinery, petroleum refining, register heaviest losses; seasonal slowdown in construction, food, apparel also contribute to employment drop. No significant improvement is in sight for the next few months.

Paterson, N. J. Defense curtailments, centered in aircraft, losses in primary metals, machinery, instruments, lead decline in durable goods. Nondurables also drop as important textile and apparel industries cut staff. Some additional layoffs appear in prospect in aircraft and textiles, to be reflected in March data.

Trenton, N. J. Unemployment climbs. Curtailments in auto hardware, stone-clay-glass, food processing, toys, ordnance, apparel represent principal contributory factors. Prospects for significant improvement before spring appear dim.

Utica-Rome, N. Y. Durable goods curtailments, some defense related, pace factory decline. Machinery, transportation equipment hardest hit. Important textiles, other nondurables, most nonmanufacturing industries also decline. Some seasonal pickup expected to early spring, but joblessness likely to continue at high levels.

Canton, O. Sizable layoffs in area's two dominant factory industries—primary metals and nonelectrical machinery—key elements in recent employment decline. Scattered cutbacks registered in a number of other manufacturing groups. Unemployment now at highest levels since early 1954. No appreciable improvement appears likely before spring.

Lorain-Elyria, O. Unemployment rises sharply following cutbacks in dominant primary metals industry. Transportation equipment (truck trailers, shipbuilding) also down; plant transfer cuts fabricated metals.

Youngstown, O. Dominant steel cuts back sharply. Most other local industries shared year-end drop. Dip in factory employment slated to mid-March, but seasonal expansion in manufacturing may hold overall job totals near current levels.

Portland, Ore. Cutbacks in important lumber, food products and paper industries force employment decline. Job totals below year-ago levels in nearly all major factory groups. Little prospect of employment improvement to late spring.

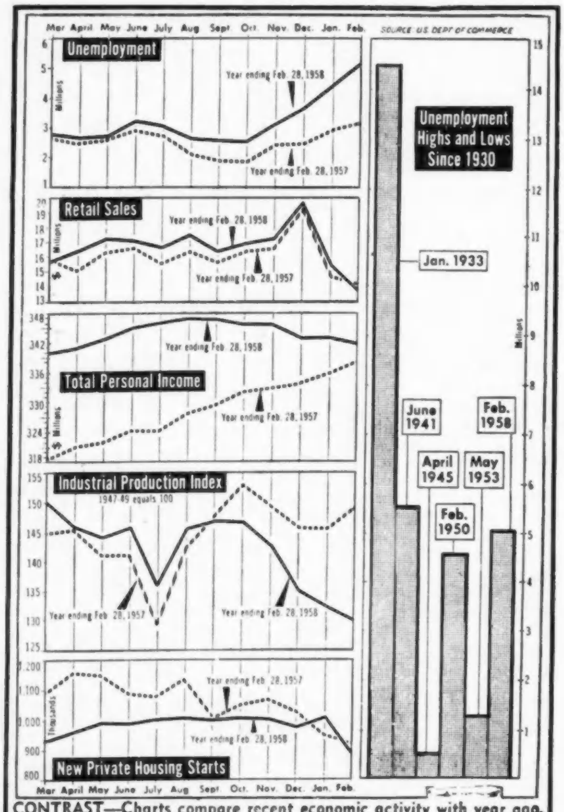
Philadelphia, Pa. Electrical machinery, apparel, textiles, primary and fabricated metals lead recent manufacturing downswing. Unemployment up about one-third since year ago. Further cutbacks anticipated over next few months in trade, construction, electrical machinery and railroad equipment.

Pittsburgh, Pa. Labor surplus reaches "substantial" levels as dominant steel industry cuts back payrolls, and some plants reduce hours to avert further cuts. Job losses reported in transportation-utilities (decreased carloadings), construction, food processing, and machinery.

Huntington, W. Va.-Ashland, Ky. Durable goods curtailments—sharpest in railroad equipment, primary metals, and stone-clay-glass—primarily responsible for unemployment increases. Former out-migrants, returning home after separation from jobs in other areas, also contribute to jobless rate. Employment expected to remain near current low over next few months.

Wheeling, W. Va.-Steubenville, O. Heavy layoffs in important primary metals, cutbacks in stone-clay-glass, nonelectrical machinery, and fabricated metals boost labor surplus. Unemployment up to more than half again year-ago level.

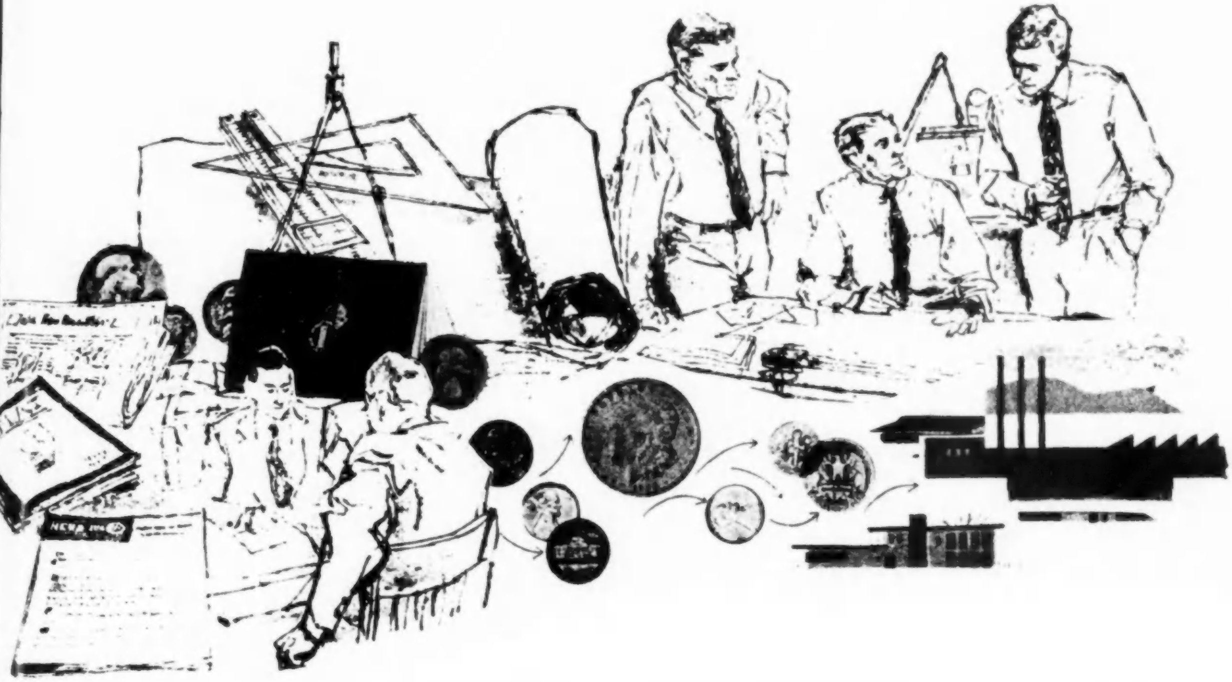
Racine, Wis. Manufacturing layoffs are centered in durable goods industries—machine tools, electrical equipment, primary metals, Textiles, most nonmanufacturing industries also report recent losses. Labor surplus likely to remain relatively high through early spring, despite some scheduled seasonal gains in farm machinery.



CONTRAST—Charts compare recent economic activity with year ago.

Heavy Industry Hit The Hardest

The foregoing "clinical examinations" indicate clearly that joblessness stemmed in large part from cutbacks in heavy (*Please turn to page* 114)



GENIUS AT WORK

—*Why a depression can only be temporary*

BY HAROLD M. EDELSTEIN

● While the U. S. economy wallows in its worst post-war recession, American industry is quietly and efficiently at work preparing the way for tomorrow's growth and expansion. New sources of energy are being perfected that will not only conserve our diminishing supplies of fossil fuels, but will also bring the per capita cost of energy for fuels, heating and power, down to a fraction of what it is today. In the aircraft field, designers are finally working themselves out of the rigorous confines imposed upon them by wings, and the time may not be far off when the aerial "flivver" will actually become a reality and some future presidential candidate can promise that "two planes in every garage-hangar' will be a commonplace.

Fanciful? Not in the least, as we will show subsequently. But it is interesting to note that for all the headlines, the economic future is not the sole province of rockets, missiles, grotesquely attired spacemen and trips to the moon and stars. From a defense point of view these fields may be vital—but to those of us who represent the earthbound majority, the endeavors to uncover the still untapped secrets of mother earth, and the consequent development of all the lands on this planet and all the potential resources we have been endowed with by nature, provide a far more fascinating and important story.

I doubt whether we are going to live in space—though we may fight there—and in the near future as much effort will be expended in making the world a more habitable and hospitable place for its rapidly mounting population, as the time spent on "out of this world" projects.

Readers of The Magazine of Wall Street will recall the delightful article we published in our Christmas 1957 issue entitled "Bounty From the Sea," in which the enormous untapped mineral, agricultural and power resources of the oceans were discussed. It is clear that if properly exploited, the seas can be a virtually endless source of food and minerals, and an eternal supply of water for irrigation and drinking purposes.

Already industry is hard at work on these matters. In the Netherlands, a joint Dutch and Norwegian company is pumping most of the country's potash needs from the brine of the North Sea; and in Kuwait, a contract has just been let for a huge "still" that will overcome some of that wealthy nation's natural water shortages. At home, on our own West coast, where water shortage has become a chronic ailment, a drive has been started to obtain Congressional backing for a $20 million distillation plant in the Los Angeles area to provide fresh drinking water from the Pacific.

Only the surface has been touched so far in this fascinating new field of exploration, but as science plumbs deeper into the mysteries of the oceans, newer techniques will make more and more of the

sea's properties usable.

Unlimited Power From the Sun

But if the oceans are a vast reservoir of unused resources, their potential pales before the staggering possibilities of the earth's most abundant raw material—the rays of the sun. The idea of using solar radiation as a source of heat and power is not new of course. As early as 212 B.C. Archimedes built a solar furnace, and in the 18th century the famous French scientist, Lavoisier, reportedly constructed one that attained a working temperature of over 1750 degrees centigrade. But despite these isolated accomplishments, the use of the sun's rays has been more a hope than a reality, largely because the heat collected is quickly dissipated when we attempt to put it to useful work.

Interestingly enough, one of the most successful early solar engines was built by an American, John Ericsson, in 1872. This is the same Ericsson who during the Civil War devised the metal-clad "Monitor" which saved the Union fleet from destruction by the rebel "Merrimac". But power generation from the sun, even for an ingenious man like Ericsson, was too expensive for a nation with an almost limitless supply of cheap coal and oil. At first a few companies made attempts at generating steam with solar fuel, but eventually research along these lines faded away as America's fossil reserves grew larger and larger.

Rebirth of Solar Energy

In recent years however, the alarming rate at which the world's population is mounting has focussed attention on the inadequacy of fuel reserves in many areas of the world, and has reawakened the old dream of directly converting the rays of the sun into heat, power and energy. Moreover, technological advances in other fields have provided new material for collecting and storing the sun's energy, so that we are off to a running start in this new quest. Already in some areas of abundant sunshine, the sun's rays are performing useful work. In Burma, for example, some regions that suffer from shortages of cooking fuels have sucessfully turned to solar cookers than can be used by the simplest peasants. As a sidelight, many of these Burmese backhills people now believe that water boiled in a solar cooker will cure stomach ailments of various kinds. Whether this particular benefit derives from the simple boiling of the water which kills off the germs, or from the ultra-violet rays contained in sunlight is not clear, however.

Elsewhere in the world, crude solar devices are heating homes, distilling sea water and creating power. Even in this country, solar energy has found limited uses in special areas. In Dallas, for instance, solar energy pumps water from one reservoir to another, but lack of space and constant sunshine prevents the widespread use of this source unless more efficient means of storing the sun's energy can be devised.

Heating Homes

But if odd devices were all there was to solar energy there would be no story. The fact remains, however, that a large part of the world may be on the verge of utilizing the sun's rays to heat and cool homes. The world's diminishing reserves of coal and oil can't begin to supply the needs of the billions of people in Africa and Asia who are just awakening to industrialization, but methods have already been devised for capturing the sun's heat to serve the same end.

Of particular interest along these lines is a new solar heated house designed especially for "living in the sun" at Phoenix, Arizona. According to the Association for Applied Solar Energy, which sponsored the project, the new Solar House incorporates a unique solution to the related problems of heating the house and warming the swimming pool during the winter, minimizing the cooling load during the summer, and supplying the domestic hot water requirements throughout the entire year.

An indication of the interest in this project among America's industrial companies can be seen from the fact that Du Pont contributed materials for collecting the sun's rays and insulating the house; Revere Copper & Brass donated the copper Tube-in Strip which collects the radiation and heats the water that carries the collected energy to the house's heating system; and Reynolds Metals contributed the aluminum to be used for constructing the collectors.

In addition, several instrument makers have supplied devices that will measure the performance of the new heating system; paint companies supplied special heat-absorbing pigments and construction companies contributed their funds and energies.

Fresh Water From the Sea

Aside from heating homes the next large scale practical application of solar energy will be the distillation of pure water from the oceans. During World War II American sailors were provided with small solar distillation kits for survival purposes, but these were crude and expensive devices. As with other solar energy machines, the principal of distillation in this manner has long been known, but costs were much too high for the results obtained. Recently however, two new developments have paved

the way for broad use of solar stills. The first is a new method by which the amount of water obtained can be increased with a given amount of heat; the second is a plastic device developed by Du Pont which holds great promise for perfecting a cheap, portable still.

Another market with enormous potential is a solar pump that can be used to pump water from wells in regions that have no access to electric power, or where gasoline driven pumps are too expensive to operate. An Italian company has been marketing one with some success for several years now, but the way is open for new methods that can bring the cost down to a point most of the world's people can afford.

Headline Makers

In recent weeks, since the successful launching of the Navy's Vanguard satellite, there has been growing recognition of the value of solar batteries with extremely long-life because they can be constantly recharged by the sun's rays. Actually, several companies have been producing these batteries for commercial use for some time now. Hoffman Electronics has provided batteries (pioneered by the Bell Telephone Laboratories) for portable radios, the Vanguard, and for use in telephone system circuits.

Of more long term interest, and of greater industrial significance are two other important new projects, however. The first is a solar furnace being constructed by the Air Force which is expected to generate heat of over 8,000 degrees F, to be used in the testing of missile parts. Such a furnace will provide a valuable laboratory for testing the effects of extreme heat without the dangers of radiation that come from nuclear experiments.

The second new process is a reported Russian experiment with a solar power plant for generating electricity. Not too much is known here about their plans, but some progress towards an experimental model has already been made in this country.

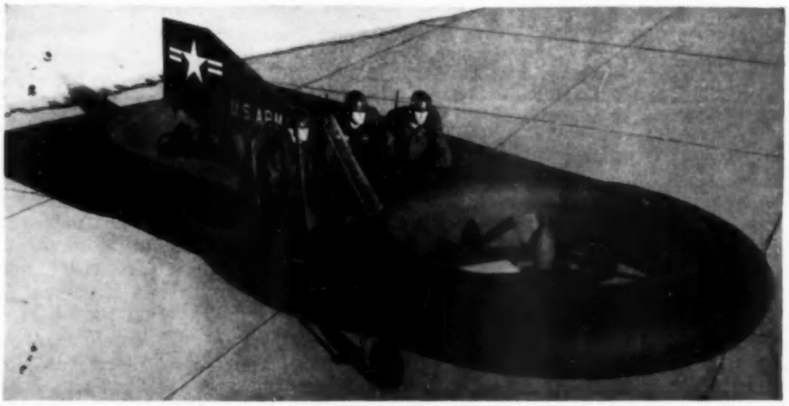
Solar radiation promises a limitless supply of energy to the human race. Without specific military applicability, the progress has been slow, however, since virtually all research in the field is privately financed. Nevertheless the groundwork has been laid for giant strides in the near future. Moreover, without the secrecy associated with military matters, a freer exchange of information should step up the developmental process.

Revolution In Aircraft

Aside from solar energy, there are other new industries a-borning. Many investors have been concerned of late about the future of the aircraft industry in an age of missiles and other unmanned craft —and there is some basis for the concern. But the industry is not sitting on its hands or resting on its laurels. Already past the drawing-board stage and into experimental models are several revolutionary aircraft that promise to alter the whole concept of commercial and military flight.

Principal stimulant to these new developments has been the military need for VTOL craft (vertical take-off and landing), but the non-military applicability may be of far greater significance, since today's aircraft have already outgrown the cities they are designed to serve. A modern airliner requires a mile or more of runway for take-off and landing, and jets will need two miles for safety. As a result, aiports must be built further and further from the cities, reducing some of the competitive advantages air travel has over other forms of transportation.

In essence, the aircraft industry is hoping to combine the best features of the conventional airplane and the helicopter. Most attempts at "convert-a-planes" however, which land and take off like helicopters, then fly like airplanes, have sacrificed too much of the best features of each. Nevertheless, several companies, including Bell Aircraft, Ryan, McDonnell, and others have working helicopter VTOL models that in one way or another convert from a "whirlybird" to an airplane.



MOCK-UP of Piasecki Aircraft's "Sky Car." Flying model is expected early next year.

Planes sans Wings

Very recently however, a new and still little understood principle of flight has been developed which has all the earmarks of a major technological breakthrough and may free aircraft designers from the need to construct winged craft. Readers may recall the photos in the newspapers some months ago of a flying "manhole cover," as it was called, developed for the army as a one man vehicle.

In effect the "platform" flies by forcing air through vents on its underside, but just why it does so still baffles the engineers. Until the principal is better understood developments will move slowly, but already substantial practical progress has been made. The army, for instance has commissioned three companies: Chrysler, Piasecki Aircraft and Aerophysics Development to submit designs for a flying "jeep" based on the "platform" idea. The requirements laid down by the military are tough to meet, but if the three companies, each working along slightly different lines, should come up with a solution, the results could revolutionize military transportation, and pave the way for the family "flivver" that has been the dream of the aircraft industry for

many years. (God forbid! And what would happen to solar energy under a sky black with planes!)

Army Requirements

Among its other specifications, for example, the army wants the vehicle to be used by men with no flight training whatsoever. It will not have to soar, but merely get off the ground with a complement of four men and their standard military equipment. The vehicle is to weigh about 1,500 pounds and should be capable of lifting a payload of approximately 1,000 pounds.

So far Piasecki appears to be out in front in the quest for a workable prototype and expects to be able to deliver one to the army by September, but the other producers are not far behind. Chrysler, incidentally, has disclaimed any intention of competing with the aircraft industry if it should successfully develop a "sky-car." Its position is that its research staff and facilities are at the disposal of the armed forces for just this type of operation, but that production, if and when required, should be turned over to those who are best equipped to handle it. This is the same sophisticated attitude towards essential research that has led Bell Telephone to turn over to industry such important items as transistors, solar batteries and other vital products of its research laboratories.

But it may be too early yet to visualize the future flying car.

Other Aircraft Developments

The industry, however, is not waiting for this single development. Vast new improvements are being made on winged aircraft as well, that may enlarge the non-military market immeasurably. A new concept of "jet-augmented" take-off can increase the lifting power of a wing by 400 to 500 per cent, enabling a craft the size of a commercial airliner to take-off in one-tenth the space now required. To accomplish this feat the blast from the aircraft's jet engines is forced across a special flap on the trailing edge of the newly designed wing. If the new wing system stands up under tests now in progress, virtually all commercial aircraft wil be rendered obsolete in a very short time, and a new airfield construction boom, closer to our major cities, could be under way.

Untapped Wealth

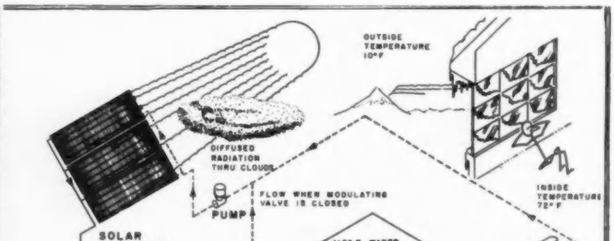
Solar energy and radically new aircraft design are just two of the "worldly" investigations that are bearing important fruit of the kind that may shape tomorrow's economy. In addition, of course, there is the vast potential of nuclear energy, hydrogen power, the unlimited horizons of electronics and the magic of chemistry. But the story doesn't stop there.

In recent weeks, the Atomic Energy Commission released data on underground nuclear blasts that may have important significance for geologists in their struggles to uncover more of the earth's mineral wealth. Not too many people realize, for example, that as much oil lies unrecoverable in the sands of known oilfields in this country, as has been discovered in the last several decades. Various methods, such as waterflooding and forced air have been used to recover these residual deposits, but with only limited success. The prospects of an underground atom blast, however, that would force the oil through the well holes has already caught the interested eye of several oil companies. If the blasts can be used effectively, America's oil resources could conceivably double, lowering the price of most petroleum products while increasing the wealth of the oil companies immeasurably.

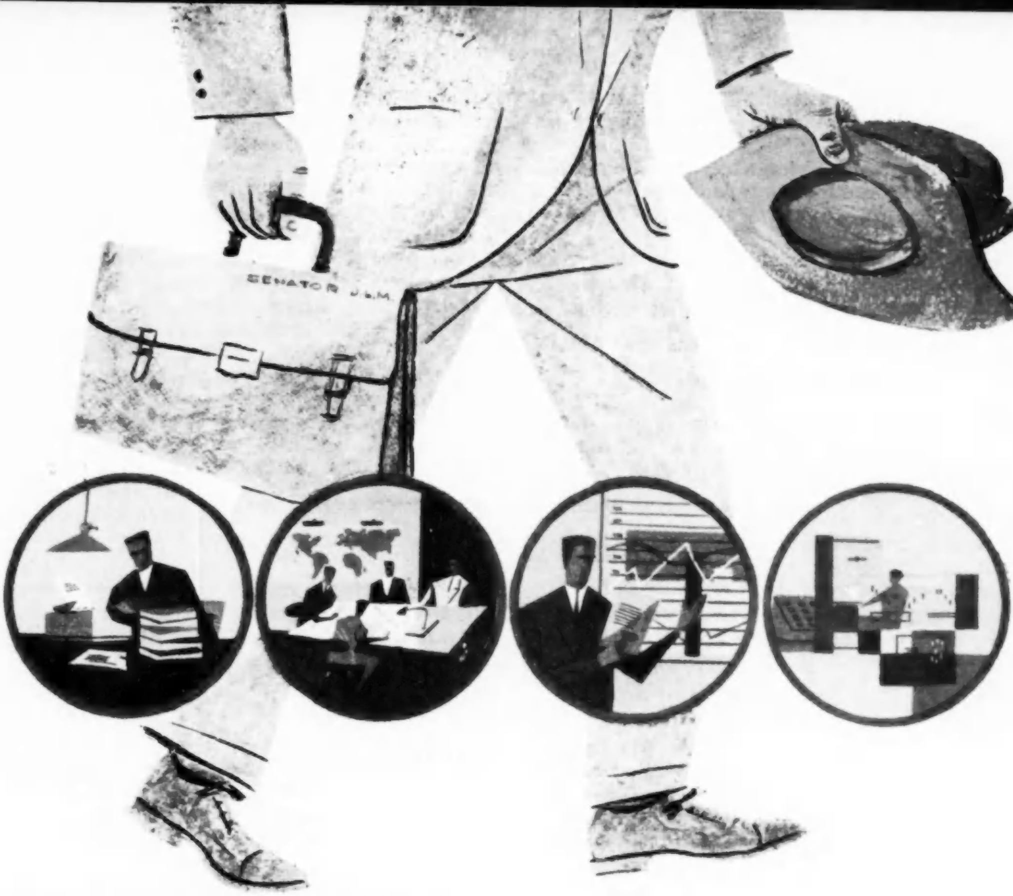
Antarctica—In the non-industrial fields, there is also vast room for properly exploiting the great land masses of the earth's surface. In the past few months interesting discoveries have been made in Antarctica leading to the conclusion that the polar continent is a vast storehouse of natural resources. It is possible that in a few short years we will begin to tap this wealth.

World's Deserts—But perhaps more important is the progress being made in converting the world's deserts into arable land. Dr. Nelson Glueck, the archeologist and biblical scholar has recently returned from Israel with a firsthand report of an ancient water collection (*Continued on page* 118)

The Solar Building, an office building in Albuquerque, New Mexico, which utilizes the rays of the sun for heating.



Schematic diagram, illustrating system of solar heating by use of collector panels and storage tank.



CONGRESS TAKE NOTICE – There is . . .

GREATER VOTE APPEAL IN TAX REVISION

—Than in Tax Cut

BY JAMES J. BUTLER

THE Republican Party, crucially in need of vote-attracting issues in an election that is only eight months away, could bolster strength and add new vitality by facing up to the onerous problem tax-payers face in trying to meet Internal Revenue Service wavering policies and rulings which change without notice.

Tax inequities and loopholes may be legislatively removed, and yet the effect of the Revenue Act on the transactions of firms and individuals remain subject to the various interpretations, separately placed by 13,000 deputy collectors and 1500 agents-in-charge. The answer of IRS is that no two situations are alike in every detail; that the precedent relied upon in a given case frequently is found to concern a situation in which one or more elements were different.

Tax law has become a "specialized" specialty—a body of provisions and regulations which are obscure to most general practitioners of law, so they avoid it and "refer" cases on taxes. And within the circle of specialists there are "expert specialists" who deal with one or a few phases of revenue law. This being so one may readily gauge the extent of gratitude a political party could win by firming precedents, channelizing tax situations into molds that would prove time, money, and temper saving.

For example, corporation dividend money is taxed, in part, in the hands of the company while taxes on that part, and, sometimes, all of the remainder, is also taxed in the hands of the recipient. An explanation of the differing rules applied would fill a book the size of an abridged dictionary. Why not a single rule? A tax one place or the other, but certainly not both; and, whichever it may be, a tax of uniform application, understandable to the payer, is less likely to send him into tantrums of condemnation of the government and all its works.

A prolific source of business for IRS examiners is corporate carry-back and carry-over. In a situation where a company is ready to show a large operating loss, it may legally acquire a company ready to show a lesser gain. In combination they create a condition in which no tax is payable. That is the law. But it is

IRS practice to conduct searching examination putting the reporting company expensively on the defensive. It may be years before the firm will have the answer that its return has been accepted. Meanwhile there has been a procedural harassment in which a yes or no answer hinges on a word, a punctuation mark, or a date.

It does seem that Congress could melt down the arguments and the decisions and come up with a simply stated rule. It would be a service to businessmen of incalculable worth.

The Helpless Taxpayer

Not only is the individual taxpayer harassed by the tax laws, but by its multitudinous contradictions which the agents themselves believe to be unfair—but legal on a technicality. He is treated almost as a criminal. If he does nothing but use his own common sense to interpret the law, he runs serious risks. In effect the government forces upon him the necessity of hiring a specialist, which is ridiculous—while the real finagler cheats the government out of huge sums every year by one trick after another.

A costly and irritating case in point is that of the owner of a residential property that cost about $200,000, and on which the I.R.S. fixed an evaluation of $75,000 as a rental property as a basis for determining a sale value. When the property was sold several years later it brought only $60,000 on the prevailing market. From this it would appear in simple arithmetic that the loss deduction would be $15,000, being the difference between what the I.R.S. said it was worth and what the property brought in sale. But *no*, the Bureau held; the government is not bound by its own computation.

The case cited above didn't end at that point. Secure in the belief that the government having fixed a value it would not arbitrarily abandon, the owner of the property felt he could take over an indebtedness in the amount of a couple of thousand dollars on the books of the company of which he is an officer, which was owed by a salaried employee, because the maker of the note, due to a protracted illness, was unable to pay without impoverishment. But, although the taxpayer had never actually received a dollar of this money, the government construed it as income, which put him into a higher bracket, and forced the taxpayer to pay *additional taxes and interest* on money he had never received and on which the government had already collected a payroll tax.

This case tells why the present tax laws and the way they are administered is rankling in the minds of the citizens of this country, and shows why it is urgent to correct such gross inequities and make decisions based on common sense rather than on technicalities in the law.

The political party that takes action on unfair and injudicious handling of tax problems will win the goodwill and the votes in 1958 and 1959. There is still time to correct such inequities—to ease the labyrinthean confusion of the taxpayer and bring about a psychological change in the whole attitude on taxes. Let the taxpayer feel he is getting a fair "shake" and he won't resent fair taxation.

There is still time to combine action on this situation with the correction of maladjustment of the tax burden, to produce new collectable tax revenues.

As an illustration of the ridiculousness of the tax laws and their massive verbiage, Senator Watkins of Utah recently jokingly offered a prize to anyone who could "decipher" the following 212 word sentence, applying to additional charges for underpayment of estimated taxes:—

"The charge with respect to any underpayment of any installment is mandatory and will be made unless the total amount of all payments of estimated tax made on or before the last date prescribed for the payment of such installment equals or exceeds whichever of the following is the lesser—

"(A) The amount which would have been required to be paid on or before such date if the estimated tax were whichever of the following is the least—

"(1) The tax shown on your return for the previous year (if your return for such year showed a liability for tax and covered a taxable year of 12 months), or

"(2) A tax computed by using the previous year's income with the current year's rates and exemptions, or

"(3) 70 per cent (66⅔ per cent in the case of farmers) of a tax computed by projecting to the end of the year the income received from the beginning of the year up to the beginning of the month of the installment payment; or

"(B) An amount equal to 90 per cent of the tax computed, at the rates applicable to the taxable years, on the basis of the actual taxable income for the months in the taxable year ending before the month in which the installment is required to be paid."

Overhaul Long Overdue

In each current legislative step leading to fulfillment of record budgetary requirements and in every move toward bolstering the economy by pump priming, Federal tax reduction, or tax law remolding rises to point an accusing finger at Congress. In the past the subject of loophole closing was given lip service. Nothing much came of it. The reason usually was "lack of basic information," which meant that each new Fiscal Year's income-outgo had to be superimposed on an indefensibly faulty base. That excuse no longer is tolerable: Congress today is in possession of facts on which to proceed with overhaul this year, and close some of the recognized escape hatches. It will be an ever-present chore of the lawmakers for the devices of evasion shape themselves to every language change in the statutes.

Today's Revenue Act is a jerry-built monstrosity whose architects are the "special interests" and Congressmen who think and act in a groove, levied against the inflow of broad national considerations. Throughout recent legislative history, Congress has endeavored to solve money problems by economy programs (real and synthetic) or by deficit financing and raising the public debt ceiling. The obvious has been overlooked: instead of dismantling the creaking tax machine, then putting it together with proper distribution and tightly caulked joints, the lawmakers have added to the load, given it a dab of grease (or oil), and walked away from the problem for another 12 months.

Tax law revision too often is equated to general revenue. Actually, what is proposed is re-allocation of the costs of running the government; it contemplates not less payment, but more equalized payment. It is one of three things that could be done. The others are (1) a selective system of tax cuts which would relieve some payers at even greater inequity to others; (2) a program of tightening control over spending. Number (1) of these alternatives, of course, must be ruled out. The need for defense at any reasonable cost, rules out the second. Strike off the military and defense-related items, and you have left a column composed chiefly of fixed costs, necessary housekeeping, or reducible items which wouldn't be a drop in the bucket.

***1955 Individual Income Tax Returns* ***

Gross Income	Returns: Number	Returns: % of total	Gross Income: Amount (mil. $)	Gross Income: % of total	Income Tax: Amount (mil. $)	Income Tax: % of total
Under $5,000	40,793,000	70.6%	$104,041	41.7%	$7,468	25.2%
$5,000 under $10,000	14,459,839	25.0	95,542	38.3	10,614	35.9
$10,000 under $25,000	2,154,574	3.7	29,907	12.0	4,962	16.7
$25,000 under $100,000	388,928	0.6	15,585	6.3	4,560	15.4
$100,000 under $1,000,000	21,556	(1)	3,787	1.5	1,719	5.8
$1,000,000 or over	267	(1)	568	0.2	291	1.0
Total	57,818,164	100.0	$249,430	100.0	$29,614	100.0

*—Latest data available; does not include returns with no gross income.

(1)—Less than 0.05%

Present Laws Are Unrealistic

The existing Federal income rates have little relationship to reality. There no longer is any validity in talking about a 20 per cent tax on low and middle income groups and a 90 per cent top bracket. The effective rate is lower—much lower. The Internal Revenue Service files show that exemptions differ at different income levels, with these results: the persons in the $4000-$5000 income class pay about 8 per cent on average; those with incomes of $100,000-or-more pay between 40 and 50 per cent. During the past 25 years, the income of the wealthiest 5 per cent of the population has increased less than the average income. In 1939, about 7 per cent of the labor force paid Federal income tax; by 1955 the percentage had risen to 65. In the same years the increase in personal and corporate taxes, and estate taxes, has cut deeply into those whose income is thought of in "before taxes" terms. Obviously the net and the attendant accumulation reflect this.

The rate of taxation fixed in the law with respect to the big incomes, would be plainly confiscatory. But instead of erasing it from the books, Congress has eroded the system by a series of special exemptions. This situation has developed a fertile spawning ground for tax dodges. If the elastic special exemptions were to be removed and the tax rate fixed closer to the point of actual collection a more equitable method would be the result. There would be fewer loopholes which, in turn, would mean less need for ferreting out by IRS, and more productive results.

House hearings have been concluded and Senate hearings are nearing the report stage on what is, perhaps, the best starting point for recasting the Federal tax structure in years. The bill was worked out by the Ways & Means Committee with the cooperation of the Treasury. In the words of Rep. Aime Forand of Rhode Island, chairman of the study group:

"Some of the more important unintended benefits which this bill will remove are: special benefits derived by holding various types of stock for only short periods of time around dividend dates, the double benefit from gifts in trust to charity where remainders go to closely related persons, double interest and charitable deductions with respect to the same amounts, the special advantages from writing bond premiums off over relatively short periods where the bonds have early call dates, advantages derived by part-time employees of exempt organizations from deferring tax on their salaries by taking it in the form of annuity contracts, the conversion of ordinary income into capital gain income by purchasing bonds with coupons detached, and other things."

The bill changes this treatment for dealers in tax exempt securities by deleting the 5 year rule and by modifying the 30 day rule so that it will apply only where the bonds are (*continued on page* 111)

Sources of Federal Budget Revenues
Fiscal Years Ending June 30.
(in millions of dollars)

	1951	1953	1955	1957	1958 (Estimated)	1959 (Estimated)
Individual income taxes	$21,643	$30,108	$28,747	$35,620	$37,200	$38,500
Corp. income tax*	14,106	21,238	17,861	21,167	20,385	20,400
Excise taxes	8,643	9,868	9,131	9,055	8,898	9,280
Employment taxes	234	274	579	328	339	347
Estate and gift taxes	708	881	924	1,365	1,486	1,570
Customs	609	596	585	735	765	780
Misc. receipts	1,620	1,859	2,562	2,760	3,327	3,523
Total budget receipts	$47,568	$64,825	$60,390	$71,029	$72,400	$74,403

*—Including excess profits taxes

Inside Washington

By "VERITAS"

PUBLICITY appears likely to be the sole product of the House Committee inquiry into the behavior of commissioners in agencies regulating business, insofar as the Federal Government is empowered to regulate. The probe of the Federal Communications Commission resulted in retirement of one of its more obscure members and the revelation that "outside" pressures are heavy on FCC whenever multi-million dollar radio-television frequencies are about to be handed out. The impact of this disclosure was dulled when it was found that the arch-enemy of "intervention" and author of a code of ethics for FCC – Rep. Charles Wolverton of New Jersey – was one of the recorded intervenors.

WASHINGTON SEES:

It would be error to attach deep significance to ouster of Nikolai A. Bulganin by Communist Party Boss Nikita Khruschev. There is tendency here to read into each Moscow change signs of political disintegration or change in attitude. That is wishful thinking.

In its simplest form, the situation has been this: Bulganin has been a faithful secretary or errand boy, carrying a series of titles (including head of the armies) to equip him for the role of liaison between the CP chief and the arms of government. He has never attempted to rise above his subordinate role in what was pictured as a two-member top echelon. When policy was spoken it bore the imprimatur of Khruschev; when it came to sparring in the diplomatic arena, the delivery of notes intended to draw the Western Powers out but not effectuate an agreement, they carried Bulganin's name.

It is possible that Khruschev has wanted to get Bulgy literally "out of his way" in the event a summit conference comes out of current exchanges. That way, the party boss can throw his weight around, leave no doubt as to the totality of his authority.

It is significant that Bulganin is being retired to a life of ease in contrast to the fate of higher-ups in the past who have been dropped a notch, or several notches. Bulganin had neither powerful friends nor dangerous enemies. That being so, he'll stay on the payroll, stripped only of title.

CONGRESSMEN were embarrassed, but not surprised when the member of the probe committee admitted he not only urged FCC to act promptly on a case affecting his constituents, but had committed the unpardonable by putting it in writing. There is a fine line separating proper inquiry by a lawmaker on the status of Federal matters of concern to his neighbors, and putting the weight of a Congressional office behind an interest involved in an adversary proceeding. The right to inquire, or even advocate, may be contrary to the Code of Ethics Wolverton drew and submitted, but unless he can exercise it an office-holder will lose much vote appeal. The privilege of "writing to my Congressman" usually involves a favor asked, expected.

WARNING which friends had given Senator Barry Goldwater not to permit himself to be enmeshed in public brawling with Walter Reuther unless, and until, his arsenal was packed, proved well based. Goldwater didn't accept the suggestion and the McClellan Committee hearing, which saw the UAW President defiant and unscathed, resulted. Reuther came out as clean as a hound's tooth. That went for both his private and union-official conduct. His apprenticeship in Russia and some of the current practices of the union might have been presented in interesting parallel, but the public will never know. He wasn't asked about it! The outcome can best be summarized in Goldwater's confession: "I have made intemperate remarks that I would like to grab and eat."

LOSING the State of North Dakota requires effort by the Republican Party, but the GOP seems willing to try. Senator William M. Langer has been denied his party's indorsement for re-election. A former Governor of the State and a U.S. Senator since 1940, he will run independently. The party denied indorsement to incumbent Senator Alexander Wiley of Wisconsin two years ago. Wiley, who had built a considerable personal political machine, ran independently of party label and won readily. Both men now are favorites to win without party backing. .

As We Go To Press

The danger of forecasting a legislative program is reflected in activities of the first three months of this year. The 85th Congress met Jan. 7. Big issues were whether an enlarged defense program could be fitted into a budget substantially the same as for the current year; whether Congress would reject a proposal to raise the ceiling on the national debt — in the then uncertain event President Eisenhower might ask for one; whether foreign trade agreements would be reduced in scope with a shorter term and more Congressional control; and whether mutual assistance appropriations would be slashed, even eliminated.

In the short space of three months these have been dimmed or blacked out. The big questions now resolve around unemployment and other aspects of a national recession, and how to meet the economic needs of the day; the race for control of outer space. With the substitution of new items for old ones on a calendar that now has nothing but "musts" on it, a tug-of-war has developed between Capitol Hill and the White House. Ordinarily such a development would be regarded unfortunate, likely to have none but evil consequences. This time it has had the opposite effect: it has put the two branches of government into competition to find the wisest and quickest road to normalcy.

Ordinarily, a national housing bill dawdles along and comes through in the dying days of a session — if at all. The real estate lobby and its friends fight it. The money question is pored over by the elder statesmen of economy. This time a $1.8 billion housing bill passed the House in less than three minutes — hardly enough to read the title of the bill, recognize a mover and seconder of a motion to pass, call for the yeas and nays, and announce the result. Less than 90 minutes later, the House was voting aye on two bills to speed up public works programs. Back at noon-hour of the next day, the House spent minutes discussing, and passing, legislation to freeze price supports at 1957 levels. The Senate already had enacted the batch of legislation, in one week's time!

In past years, the weeks leading up to Easter recess have been passed in politicking and log rolling, sparring to test relative strength of pro's and con's. Then the lawmakers would return to their districts, attempt to gauge sentiment at home and blend it with the results of the three-month appraisal period. Result was a surge of activity that piled bill after bill on Senate and House calendars as adjournment neared. When, as is the case this year, the session marks the close of a Congress and campaign days are ahead, the legislative harvest is poorly culled and left to the President to accept with resignation or veto in the interest of national governmental safety.

One of the items keeping the Senate busy is the satellite program. This couldn't be anticipated when the session began; it became necessary for Congress to start from scratch in a field about which too little is known. Yet, the Senators came up with a very respectable report and 17 recommendations for the Department of Defense to follow. Scientists indulged less than the usual amount of criticizing and head-shaking. The House, operating along less formal lines, joined in the Senate findings and together the two branches set up Committees on Outer Space. Even the title would be laughed out of existence on adjournment day last Fall.

Sputnik generally is put down as the reason for the changed attitude and speedup of Congress. No doubt the Soviet missile triggered the activity on Capitol Hill. But the economic sag had as much to do with it as did the orbiting sphere. An entire new generation had grown up since the United States had known a depression. A large percentage of the House membership and quite a few Senators were in knee pants in 1929. They demanded an immediate

shift of legislative gears. It was reminiscent of the early Rooseveltian days when each lawmaker seemed convinced that he had an original and effective solution to the problem. Most proved unworthy of either objective.

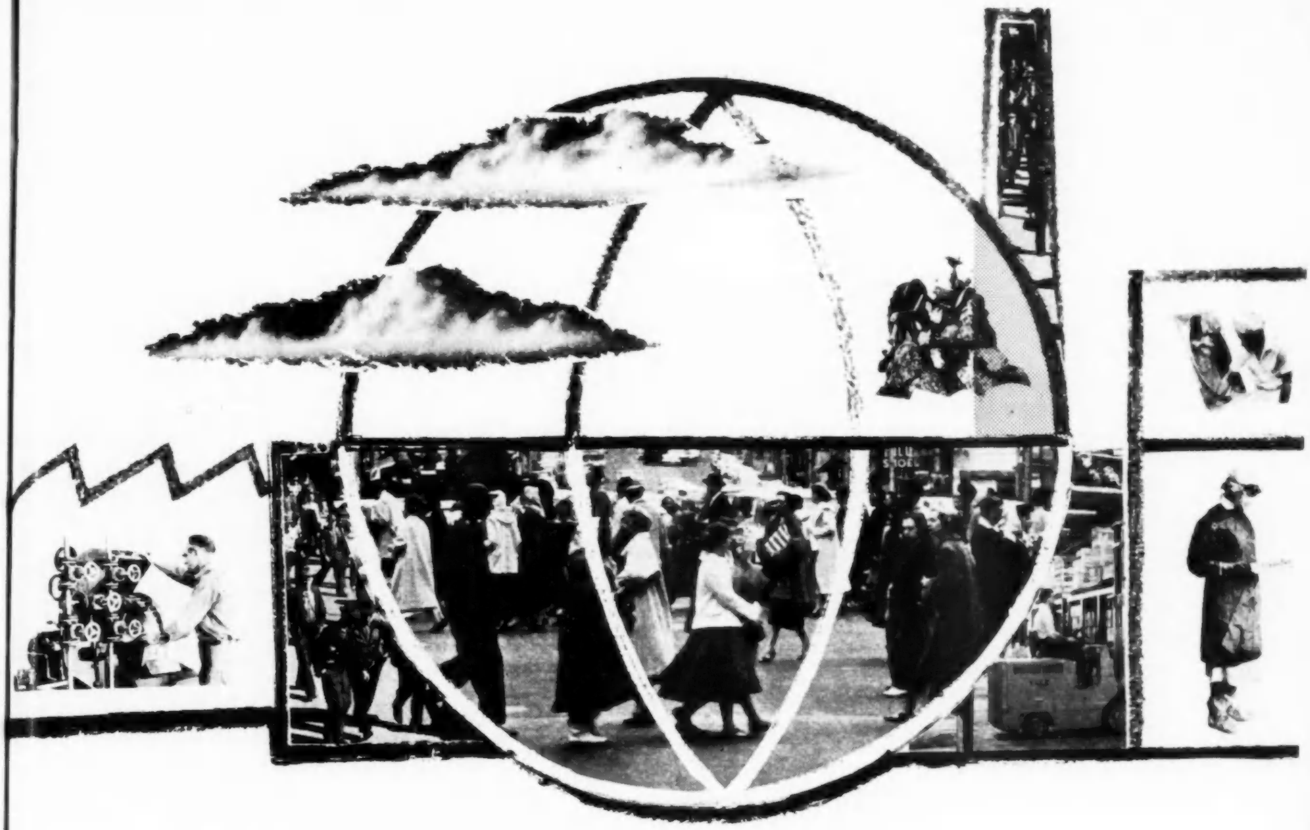
▶ Normally, appearance of the first appropriation bill is the signal for unloosing campaign oratory. The Administration comes under attack for "costly inefficiency," the bill is debated, amended, the forces of economy have their say. First to show this year was the $4 billion Treasury-Post Office appropriation bill. In the House, an additional $627 million was tacked on, nothing was pruned out, and as fast as parliamentary procedure permits, the measure was passed and sent to the Senate for concurrence. The "upper house" gave it 24 minutes flat; didn't change a comma in it. Of course Congress already had passed the ceiling rise for the national debt and there was $5 billion more leeway.

▶ The burst of legislative activity, plus presence in Congress of the principal, and several minor, contenders for the GOP Presidential nomination in 1960, has switched much of the Administration's policy-making to Capitol Hill. Gone is the spirit of deference that held Senators mum on party attitude, pending "clearance" at No. 1600 Pennsylvania Avenue. In group or individual statements, speeches, and introduction of bills, members of Congress are asserting themselves. An example is the bill to assure unemployment compensation payments for the remainder of 1958 for those who may have exhausted their rights before year's end. Nothing could be more basic from a policy standpoint. Ordinarily his party members would have given to their President the distinction of bringing forth this almost certain-to-pass anti-recession move. Instead, Senator Clifford P. Case of New Jersey, an Ike stalwart, led a group of eight Republican Senators in sponsoring legislation. Naturally they, not the White House, set the policy in this instance.

▶ One week later, the same group, with the addition of Senator Margaret Chase Smith, Maine republican, was back in the headlines with another major policy step. They memorialized Defense Secretary Neil McElroy and General Services Administrator Franklin G. Floete to place government contracts in recession-hit areas. Their message proposed: "Division of procurement contracts into two parts, with one-half of the contract going to the lowest bidder, wherever he may be located, and the remainder set aside for firms located in surplus labor areas." It was revolutionary in the scheme of Federal peacetime procurement. But it probably is necessary. In any event, it brought countrywide plaudits — to nine GOP Senators!

▶ By moving fast and without advance disclosures which might have tipped the democrats off and enabled them to beat the starter's gun, the GOPers have made political hay. They toyed with the idea of grabbing the glory on housing and highway funds, but these issues already had been pre-empted by the democrats. The same was true of public building programs, which had their genesis in FDR's Public Buildings Administration headed by "Honest Harold" Ickes. Case and his colleagues are eyeing a school building program, tying it into the economic recession. That won't be so easy. It isn't necessary to debate the right or wrong of the incident to arrive at the fact that two little words — "Little Rock" — have spelled the end of a Federally-supported classroom program for the present at least.

▶ Proposals for new labor legislation will flow from the McClellan Committee interim report. They will not want for companionship at their destination — the Congressional archives for forgotten objectives. On the House side of the Capitol a recent compilation showed no fewer than 19 pending bills to amend — or repeal — the Taft-Harley Act. About as many are gathering dust on the Senate side. Rep. Kenneth Keating started it in this session with a Feb. 9, 1957 draft hopefully captioned: "To amend the Labor Management Relations Act of 1947 to equalize legal responsibilities of labor organizations and employers." In the same week, Rep. Thomas Lane of Massachusetts, presented a measure titled: "To Repeal the Taft-Harley Act." Other bills would re-enact the Wagner Act, shift jurisdiction from NLRB to the Federal District Courts, expand or contract coverage of the Act. None is being seriously pushed by anybody.



LABOR COSTS
In Industrialized Countries
—Compared With Wages in U.S.A.

BY JOHN H. LIND

FOREIGN labor costs are becoming a matter of growing concern to American business men for several reasons. One is the development of new international economic units, particularly in Europe where the Common Market is already a reality and the Free Trade Area and the Scandinavian Market are likely possibilities. To meet the challenge of these dynamically growing markets, many American exporters may have no choice but to establish subsidiary plants inside these areas, in order to escape the double handicap of protective tariff walls and dollar discriminations.

Yet, in view of the wide-spread differential in wages and other labor costs not only between America and Europe but also *within* Europe itself, such a step can only be successfully taken on the basis of a thorough knowledge of European labor costs.

Unfortunately, however, many American businessmen have a very distorted view of foreign labor costs. This is largely due to the widely held and widely propagated belief that foreign labor costs are universally cheap and that foreign producers have, therefore, almost always an advantage over their American competitors in world trade. This argument has often been advanced by protectionists as the major reason for high tariffs. In fact, it forms one of the main points in the current front-page debate regarding the extension of the U.S. reciprocal trade agreement law. As we will show in this article, the low-wage argument of the U.S. protectionists is exaggerated, since they only consider direct wage payments, and ignore such other vital factors as fringe benefits and productivity, which often give a totally different picture of real labor cost differentials than comparisons of just straight worker earnings.

A knowledge of foreign labor costs is therefore of importance also for those U.S. businessmen who have no foreign marketing or producing interests, since it tells them if, and to what extent, their foreign competitors can underbid them in the world markets.

Since Western Europe is both America's most important foreign competitor and the only area in which the common market concept has been turned

Table I. Specified Elements of Labour Cost Expressed as Percentage of Total Non-Wage Labor Costs for 1955

Elements of labour cost expressed as percentage of the sum of comparable cost items	Austria	Belgium	France	Germany (F.R.)	Greece	Italy	Turkey	United Kingdom	Yugoslavia
Premium pay for overtime, late shift, and holiday work	2.2	—	2.8	1.6	1.4	1.0	11.0	—	3.0
Bonuses and gratuities	2.7	0.6	1.2	2.2	8.1	5.7	4.2	0.4	5.6
Payments in kind	0.7	0.1	1.1	0.3	0.2	1.3	5.8	0.1	0.5
Hours paid for but not worked	9.3	6.4	4.6	6.4	4.0	6.5	8.5	5.7	5.9
Obligatory social security contributions	13.9	14.2	20.1	9.8	15.2	25.4	5.7	2.7	25.6
Non-obligatory social security contributions	0.5	0.1	0.4	4.5	0.4	0.1	0.0	0.8	0.0
Direct benefits	2.3	0.4	0.4	1.2	1.1	2.0	4.3	0.2	—
Subsidies	1.7	0.3	1.6	1.6	0.4	1.0	0.4	0.8	8.8

Table II. Wages and Other Comparable Elements of Labour Cost, 1955, Expressed in Swiss Francs[1]

(All industries: wage earners)

Country	Cotton textiles	Leather footwear	Radio-electronics	Machine tools	Ship-building	Steel industry	Coal mining	Railways
Austria:								
Average hourly earnings	1.05	1.21	1.23	1.45	1.44	1.60	1.51	1.48
Basic wage per hour	1.00	1.18	1.13	1.37	1.42	1.36	1.35	1.45
Cost per hour worked	1.50	1.65	1.70	2.12	1.99	2.29	2.32	3.73
Belgium:								
Average hourly earnings	1.74	1.66	2.34	2.42	2.63	3.01	2.73	2.83
Basic wage per hour	....	....	....	....	....	....	....	....
Cost per hour worked	2.20	2.08	2.95	3.07	3.47	3.88	3.76	5.62
France:								
Average hourly earnings	1.78	1.79	2.43	2.64	2.26	2.37	2.70	2.55
Basic wage per hour	1.73	1.76	2.25	2.47	2.09	2.33	2.70	2.45
Cost per hour worked	2.51	2.42	3.32	3.62	3.17	3.50	4.61	5.02
Germany (F.R.):								
Average hourly earnings	1.47	1.47	1.70	1.83	1.93	2.58	2.35	....
Basic wage per hour	1.41	1.44	1.62	1.74	1.83	2.45	2.25	....
Cost per hour worked	1.86	1.88	2.32	2.43	2.49	3.56	3.82	....
Greece:								
Average hourly earnings	0.83	....	....	0.92	....	....	1.05	1.34
Basic wage per hour	0.74	....	....	0.81	....	....	0.84	1.15
Cost per hour worked	1.09	....	....	1.15	....	....	1.30	1.71
Italy:								
Average hourly earnings	1.13	1.03	1.47	1.49	1.57	1.98	1.42	....
Basic wage per hour	1.03	0.94	1.32	1.35	1.39	1.85	1.31	....
Cost per hour worked	1.83	1.64	2.36	2.31	2.50	3.06	2.61	....
Turkey:								
Average hourly earnings	1.23	....	....	1.70	1.97	....	1.48	....
Basic wage per hour	1.17	....	....	1.23	1.56	....	1.37	....
Cost per hour worked	1.79	....	....	2.18	2.67	....	2.31	....
United Kingdom:								
Average hourly earnings	2.00	2.11	....	2.78	2.99	2.97	3.56	2.75
Basic wage per hour	....	....	....	....	....	....	....	....
Cost per hour worked	2.27	2.37	....	3.08	3.27	3.29	4.26	3.10
Yugoslavia:								
Average hourly earnings	0.70	0.79	....	0.85	0.94	0.83	0.92	0.89
Basic wage per hour	0.63	0.67	....	0.75	0.78	0.73	0.79	0.72
Cost per hour worked	1.23	1.34	....	1.57	1.64	1.29	1.63	1.54

[1] One Swiss Franc = 23 U.S. cents.

into a reality, our discussion of labor costs will be confined to that part of the world.

The High Cost of Fringe Benefits

The first thing that needs to be said when examining foreign labor costs is that wages alone do not give a true picture. Supplements to wages have become increasingly important in Europe in the postwar period. European employers usually have to carry a far larger burden, in relation to basic wages for such items as paid vacations, family allowances, social insurance and other social programs, than do Americans. As the accompanying chart shows, these non-wage labor costs vary greatly throughout Europe on an hourly basis. In Yugoslavia, for instance, they amount to nearly half of total labor costs. In Italy they exceed 40 percent and in most other countries they amount to between 20 and 30 percent of all labor cost elements, according to a recent study of the U.N.'s International Labor Office. Only in Britain are these costs low enough to even come closer to America's figure of six to eight percent. However, this does not mean that the British worker receives fewer social benefits than his Continental counterpart. The difference is only in the method of payments. Social services in Britain are financed largely by the state out of general taxes and therefore do not enter into employers' direct labor costs.

The relative importance of all non-wage elements in total labor cost in European manufacturing industries is indicated by the following percentages:

Yugoslavia	50%	of total labor cost
Italy	43	
Austria	34	
Greece	31	
France	35	
Turkey	41	
Germany	29	
Belgium	22	
Britain	11	
U.S.	7	

In view of the far more important part which these fringe payments play in European than in American industry, it is worth while to break them down into their main components, as is done in Table I. This shows that by far the most important of the ten main items making up these costs are compulsory social security payments. Again, the only

exception to this is Britain for the same reason as mentioned above. The second most important item consists of *Hours Paid for but Not Worked*, indicating the great importance of legal holidays, vacations and sick leave in Europe, compared to the United States where such matters are either decided unilaterally by the employer or by labor and management as part of the normal collective bargaining process.

This points up another major difference between European and American labor costs. In the United States both direct wages and the bulk of fringe benefits are negotiated directly between employer and and employee, without intervention of the government, except on such basic matters as minimum wages, primary overtime, child labor, etc. In Continental Europe, on the other hand, from 22 to 50 percent of total labor costs are fixed by law and therefore not subject to negotiation. Furthermore, most labor unions in Europe negotiate on a nation-wide and industry-wide basis with an employers' group which usually represents the entire industry. Thus, the individual employer in Europe has far less influence over the labor cost element in his total cost structure than does his American counterpart.

Contrast in Total Labor Costs

What the total labor charges amount to, in comparable currency figures, is shown in Table II and the accompanying chart 2 which compare wages and other labor costs in six representative industries in nine European countries. According to these figures, Austria, Yugoslavia and Greece are Europe's low labor cost countries while France, Belgium and Britain are characterized by high labor-costs. Of special interest is the position of Germany, Europe's major industrial country. With the exception of steel, its labor costs are in each case lower than those of Britain, Belgium and France, its main competitors. This is doubtlessly one of the prime reasons for Germany's outstanding success in expanding its trade. As far as France—the sick man of Europe, economically speaking—is concerned, a dominating reason for its inability to compete freely in the European market lies in the extremely high cost of its social burden. French wages are actually less high than those of either Britain or Belgium and only slightly higher than those of Germany. But if the employer's compulsory contributions to the various social programs are added, France becomes Europe's highest labor cost country.

The European Common Market has as one of its stated aims the equalization of social costs throughout its six-member area. It is also on record as endorsing the free movement of labor between the six countries. If these aims are to be realized it is more likely to result in an increase in labor costs in the Community's low cost countries, namely Germany and Italy, than in a decrease in the high cost countries, France, Belgium and Britain. Yet, such a development would not necessarily make France more or Germany less competitive than it is now. For labor costs represent only the employer's contribution to the process of production. Equally important is the worker's contribution in terms of output, or productivity. Whether one wishes to determine where to locate a foreign plant or what the real production costs of a foreign competitor are, labor productivity is (*Please turn to page* 115)

CHART 1. WAGES AS PERCENTAGE OF TOTAL LABOUR COST PER HOUR WORKED, SELECTED MANUFACTURING INDUSTRIES, 1955

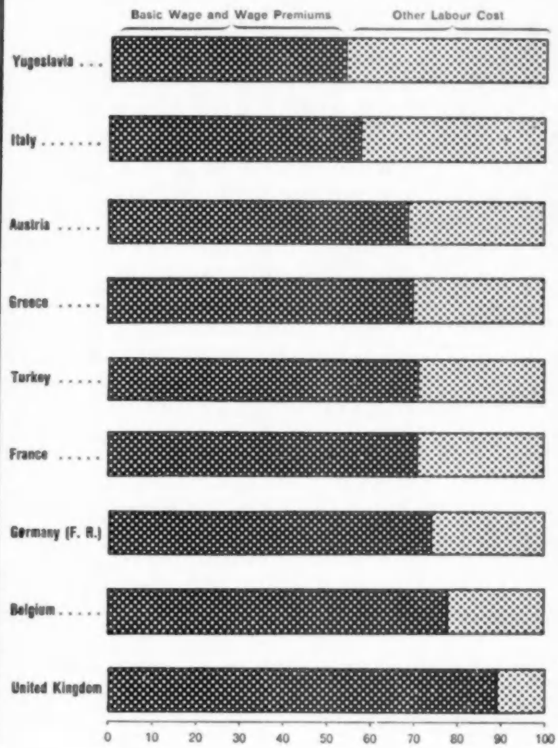
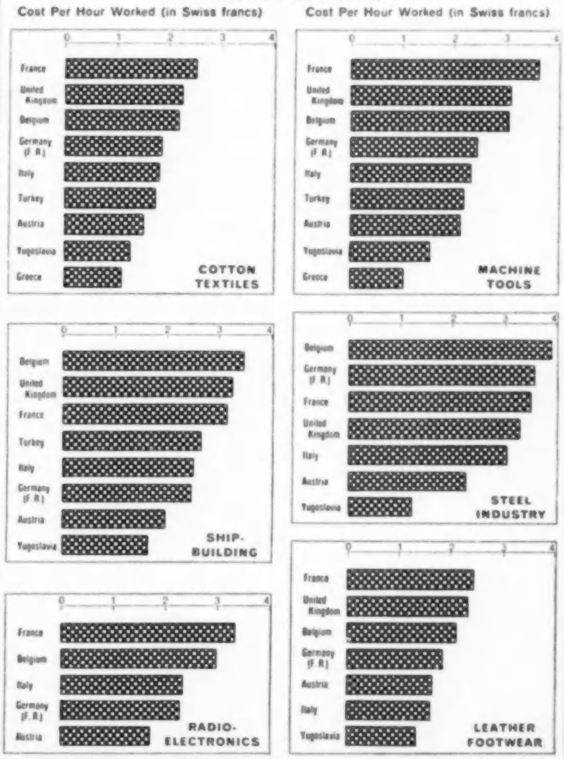
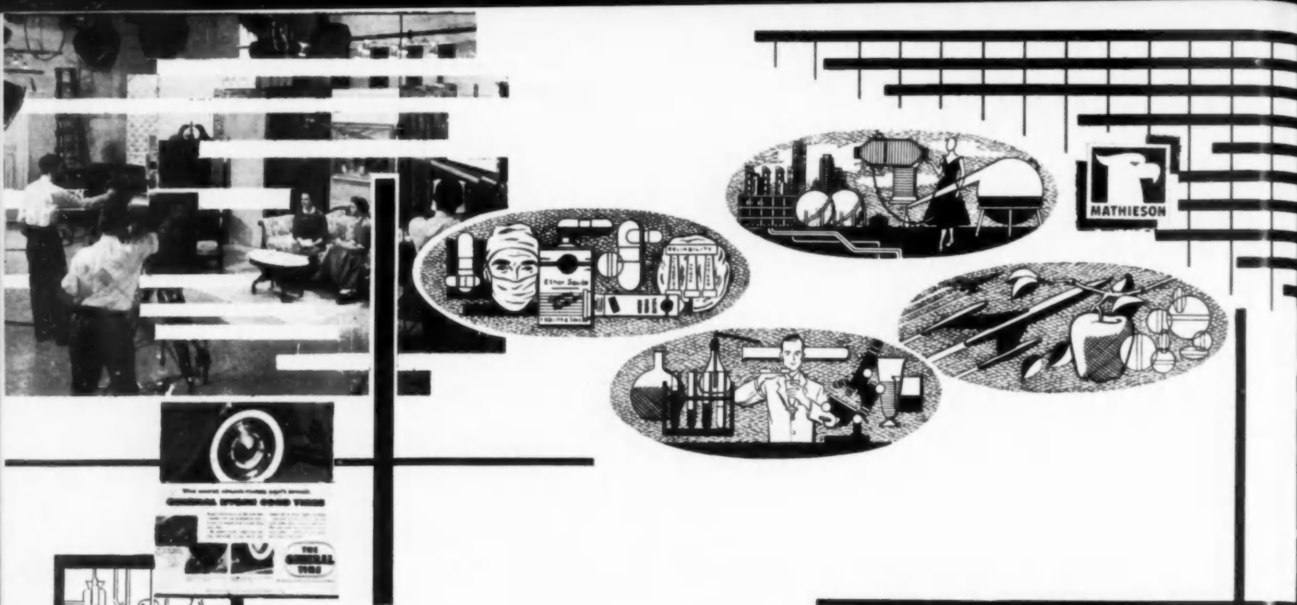
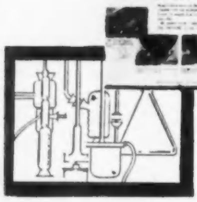


CHART 2. LABOUR COST PER HOUR WORKED IN SELECTED MANUFACTURING INDUSTRIES, 1955







A Contrast in Performance

• OLIN MATHIESON CHEMICAL CORP.
• GENERAL TIRE AND RUBBER CO.

BY JOHN LESLIE

ABOUT a year ago we published a comparison of Olin Mathieson Chemical Corporation with The General Tire & Rubber Company under the heading "Contrasts in Corporate Diversification." That study, which dealt extensively with the way the two companies had branched out in the search for additional earning power, concluded that General Tire had won what was then the latest lap in what we described as "the diversification race."

Olin Mathieson's earnings per share had increased about 10% between 1954, the year in which the enterprise took its present form, and 1956, the latest year for which figures were then available. The common stock of the company stood at about the same level as when the merger of Olin Industries with Mathieson Chemical was consummated in August 1954. General Tire, on the other hand, had lifted its earnings per share almost 70% in the same two years, and its stock was selling for almost twice as much as in August 1954.

The thirteen months that have intervened since our previous article have provided a further record which again invites comparison. Accordingly, this study will deal with the differences in performances of the two companies in the last year.

For those readers who have joined us since March 1957, or who may not be familiar with General Tire or Olin Mathieson or both, a few basic facts on the businesses of the two companies are probably in order. Although Olin Mathieson is the fifth largest chemical producer and General Tire is the fifth largest tire and rubber company, the two organizations have many points of similarity. For one thing, General Tire, like all rubber companies, has a large and growing chemical business.

Both companies have grown rapidly, largely through acquisitions and mergers, and now enjoy volumes several times those of the early postwar years. Olin Mathieson is the larger of the two, with 1957 volume about 40% more than that of General Tire, whose figures do not include sales of its wholly-owned broadcasting-television-entertainment subsidiary, RKO Teleradio Pictures, Inc. Neither company consolidates operations outside the United States except for Canadian subsidiaries.

Both General Tire and Olin Mathieson are interested in fuels and motors for rockets and missiles. Olin Mathieson is a producer of high-energy fuels based on boron; owns about half of the stock of Reaction Motors, a pioneer in the field of propellants for rocket engines and rocket engines themselves; and has about a fourth interest in Marquardt Aircraft, maker of ramjet engines for missiles. General Tire owns almost 88% of the stock of Aerojet-General, an important producer of liquid and solid propellants and rocket motors.

Both companies are interested in plastics. General Tire is one of the largest producers of plastic sheet and vinyl film used in bookbinding, footwear, furniture covers, rainwear, luggage, flooring, automobile seat covers, and similar applications. General also makes molded and extruded plastic materials such as foam, for insulation and cushioning and parts for automobiles and household appliances. Olin Mathieson manufactures cellophane used for wrapping cigarettes and making plastic bags; also polyethylene film used chiefly by the chemical industry, textile and food manufacturers, vegetable growers, and

others, for packaging.

Both General Tire and Olin Mathieson have diversified into some lines which seem remote from their principal businesses. General Tire, for example, owns all the stock of RKO Teleradio Pictures, Inc., which operates radio and television broadcasting stations and networks and finances the production of motion picture films. General is also the only producer of wrought iron pipe in the country. Olin Mathieson makes, in addition to industrial chemicals and rocket propellants, drugs and pharmaceuticals, papers of many kinds, lumber, fabricated metals, plant foods, pesticide ingredients, arms, ammunition and explosives, and is now constructing facilities to produce primary aluminum.

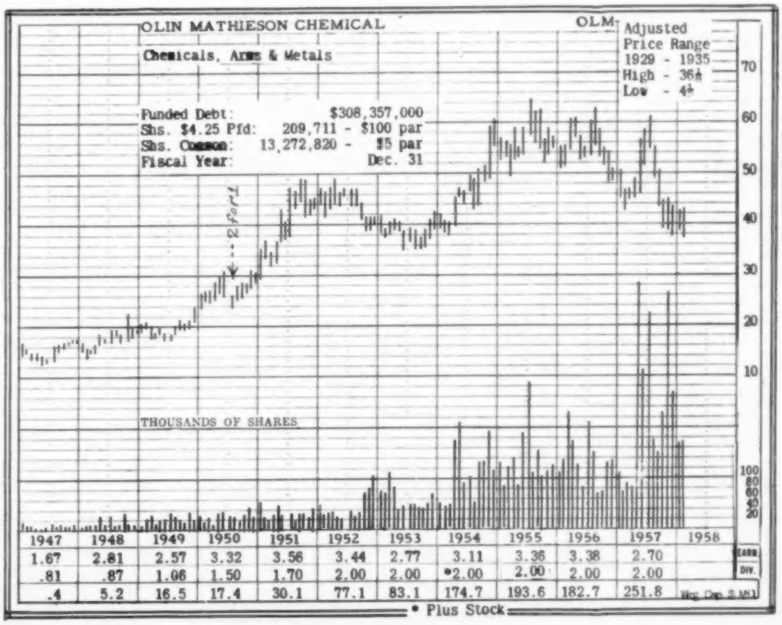
Finally, both companies are heavily capitalized. General Tire, in spite of a program aimed at simplifying its capital structure, still has no less than five different issues of preferred stock and ten different issues of debt. Funded debt constitutes about 38% of its total capitalization, preferred stock 13%, and common stock about 49%.

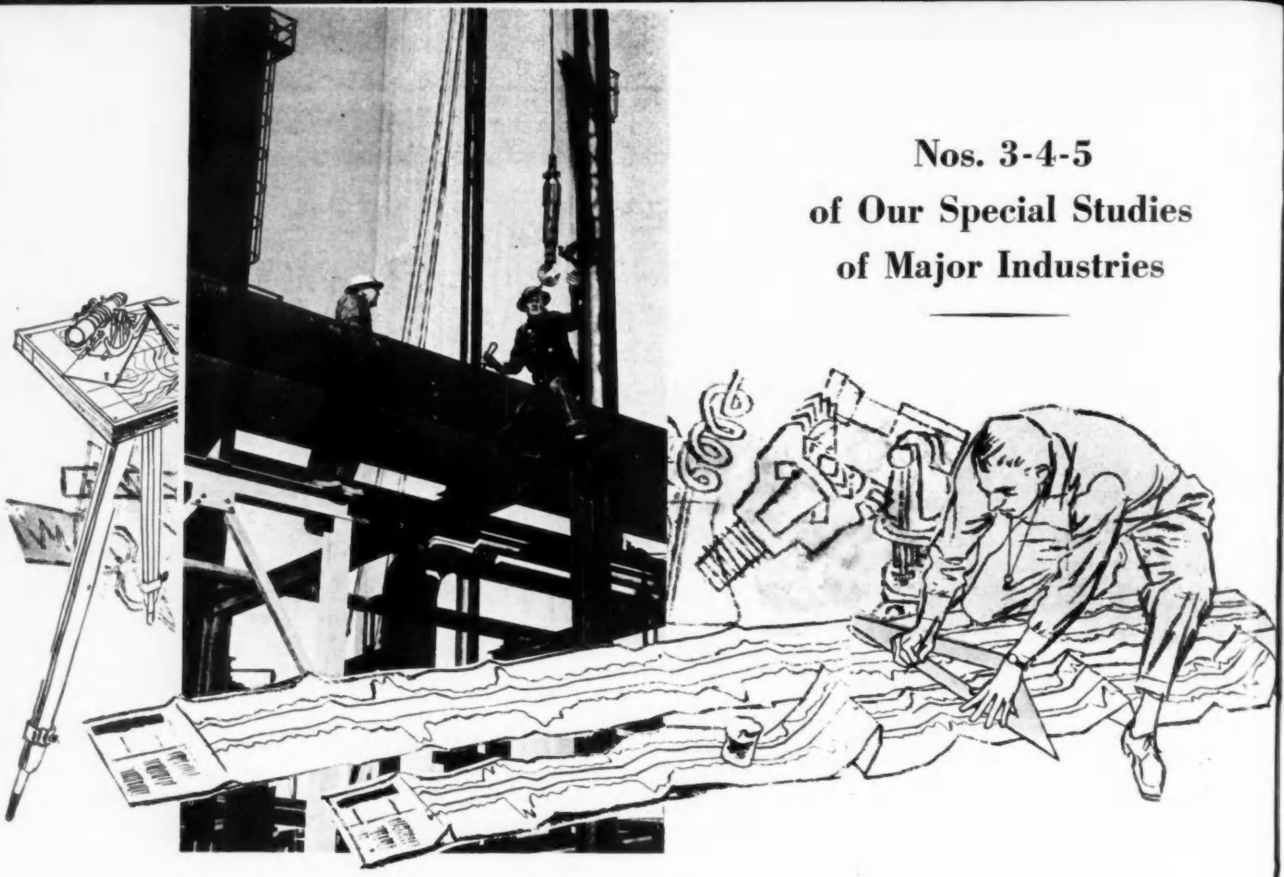
Olin Mathieson, after last month's financing which involved the sale of $40.0 million of 5½% convertible debentures and retirement of its 4¼% preferred stock and two issues of debentures whose indentures contained restrictive provisions, has no preferred outstanding, but has five different debt issues. Funded debt constitutes 46% of total capitalization, with common stock about 54%.

Both Olin Mathieson and General Tire continue to expand through acquisitions and additions to existing facilities. During 1957 Olin acquired Southern Electrical Corporation of Chattanooga, Tenn., manufacturer of aluminum wire and cable; and General Tire added Castle Rubber Company of Butler, Pa., producer of large mechanical rolls and wrapped mechanical goods. Olin Mathieson had total capital expenditures of more than $77.0 million last year, including completion of five major plant construction projects. It is starting work on nine other projects. The primary aluminum venture already mentioned, however, is being carried out through Ormet Corporation which Olin Mathieson owns and finances jointly with Revere Copper and Brass. General Tire's capital expenditures for the fiscal year ended November 30, 1957, have not been made public but were apparently in the neighborhood of $20.0 million, largely for a synthetic rubber facility at Odessa, Texas, which the company claims is "the first completely-integrated operation of its kind to be built since World War II." Capital expenditures for both companies last year were substantially in excess of depreciation charges, which totaled $10.5 million for General Tire and $25.6 million for Olin Mathieson.

Differences in Earnings—Market Action—Dividends

Differences between the two companies begin to appear when we examine the results of operations for 1957. Sales of Olin Mathieson were slightly (less than 1%) lower than in 1956. Management attributed the decline to lower prices for copper and zinc, sale of the former Lentheric division, and reduced business in explosives, *(Please turn to page 106)*





Nos. 3-4-5
of Our Special Studies
of Major Industries

MAJOR STUDY of the OILS Global and Domestic

— with our famous side-by-side analysis and breakdown of 1957 balance sheets and first quarter reports of leading companies

NO. 3 — BY EDWIN A. BARNES

Two months ago the patterns of petroleum production and consumption were leading to an industry crisis. The adverse conditions now have changed materially for the better. The abrupt turnabout may be attributed to the temporary benefits of the severe weather in February (sales of heating oil zoomed more than gasoline sales dipped) ; to the recent unprecedented restraints on new supply; and to a level of demand about comparable to last year's. Barring a further serious deepening of the recession in the general economy, the petroleum industry appears well-positioned to gradually restore a good measure of its former level of earning power. While the near-term may see numerous further adjustments, a firm basis exists for believing a period of stabilization, followed by improvement, may be at hand.

The current sharply curtailed rate of U.S. crude oil production of 6.3 million barrels daily is off 20% from last year. This reduced level of activity is highlighted by the record low 8-day allowables in Texas, an austere 50% of the rate permitted last year. Imports also are in a downward trend, normal for this time of year. Lower import quotas may further reduce new supply.

New "voluntary" import quotas, effective April 1st for six months, were established at the end of March. The new level of crude oil imports represents an 8% cut to 713,000 barrels for the area east of the Rockies. Imports for the four weeks ended March 21st totaled 814,000 barrels daily. The new quotas also allotted a somewhat lower level to existing importers to make room for newcomers. For the area west of the Rockies, estimates show imports have been averaging 143,000 barrels daily against a recommended level of 220,000 barrels daily. The new quota order did not mention the West Coast. As a result of curtailed production and imports, new supply is being held to a level of approximately 1.3 million barrels daily below the current rate of consumption of 10.3 million barrels daily.

Demand for petroleum products for the current

Comparative Earnings and Dividend Records of Leading Oil Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1955	1956	1957	1955	1956	1957	Price	Yield	1957-1958
Amerada Petroleum	$4.02	$4.20	$4.65[5]	$1.75	$2.00	$2.00	92	2.1%	147½- 81
Anderson-Pritchard Oil	3.05	3.41	2.93	1.00	1.15	1.20	25	4.8	43⅜- 22
Atlantic Refining	4.25	5.11	3.82	2.00	2.00	2.00	36	5.5	57⅜- 34
Cities Service	4.88	6.03	5.63	2.00	2.40[1]	2.40[1]	50	4.8	71 - 44⅜
Continental Oil	2.38	2.65	2.38	1.42	1.52	1.60	48	3.3	70¼- 38⅝
Cosden Petroleum	1.71	2.12	2.34	.62	.81[1]	1.00	17	5.8	25 - 15
Creole Petroleum	3.78	4.34	5.15[5]	2.50	3.75	4.00	70	5.7	96 - 58¼
Getty Oil	.78	.51	1.20[5]	[2]	[2]	[2]	26	....	39⅛- 17⅜
Gulf Oil	8.19	9.54	11.38	2.25[1]	2.50[1]	2.50[1]	107	2.3	152 -101
Humble Oil & Refining	2.44	2.49	2.45	1.15	1.20	1.40[3]	53	2.6	66 - 41½
Imperial Oil Ltd.	2.08	2.20	2.29	.95	1.20	1.20	40	3.0	63 - 36¾
Ohio Oil	3.14	3.14	3.16	1.55	1.60	1.60	33	4.9	44⅞- 28½
Phillips Petroleum	2.78	2.77	2.80	1.50	1.70	1.70	38	4.4	53¼- 35⅜
Plymouth Oil	2.83	3.22	2.40	1.60[1]	1.60[1]	1.60[1]	23	6.9	38 - 21⅞
Pure Oil	4.05	4.26	4.13	1.51	1.60	1.60	33	4.9	48⅞- 29
Richfield Oil	7.40	6.64	7.04	3.50	3.50	3.50	62	5.6	80 - 55
Royal Dutch Petroleum	4.42	4.97	6.00[5]	1.05	1.05	1.70	40	4.2	60⅜- 37¼
Shell Oil	4.14	4.49	4.46	2.00	2.00[2]	2.00	70	2.9	93 - 58
Sinclair Oil	5.68	6.17	5.18	2.70	3.00	3.00	51	5.8	68½- 45½
Skelly Oil	5.61	5.93	6.40	1.80	1.80	1.80	58	3.1	80¾- 48
Socony-Mobil Oil	4.76	5.70	4.62	2.50	2.50[1]	2.50	49	5.1	65⅜- 44½
Standard Oil of Calif.	3.66	4.24	4.56	1.50[1]	1.80	2.00[3]	46	4.3	59⅞- 43¼
Standard Oil of Indiana	4.75	4.22	4.24	1.40[4]	1.40[4]	1.40[4]	41	3.5	62¼- 35½
Standard Oil of N. J.	3.61	4.11	4.05[5]	1.75	2.10	2.25	51	4.4	68½- 47½
Standard Oil of Ohio	4.61	5.35	4.79	2.49	2.47[1]	2.50	47	5.4	62¼- 40½
Sun Oil	4.72	5.22	4.17	1.00	1.00[1]	1.00[1]	64	1.5	82 - 60
Sunray-Mid Continent Oil	2.27	2.41	3.04	1.20	1.20[1]	1.32[3]	23	5.7	29½- 20
Texas Company	4.79	5.51	5.94	2.12	2.35	2.35[1]	63	3.7	76½- 54⅜
Texas Gulf Producing	1.72	1.46	1.70	.71	.60[1]	.60[1]	28	2.1	49½- 22⅝
Texas Pacific Coal & Oil	2.22	2.01	2.01	.90	1.00	1.00	33	3.0	40⅜- 24⅞
Tidewater Oil Co.	3.03	2.98	2.54	[2]	[2]	[2]	22	....	42¼- 19⅜
Union Oil	4.12	4.45	4.95	2.40	2.40[1]	2.40	45	5.2	64⅛- 40

1—Plus stock.
2—Paid 5% in stock.
3—Latest 1957 rate.
4—Plus S.O.N.J. stock.
5—Estimated.

RATINGS:
A—Best Grade.
B—Good Grade.
C—Speculative.
D—Unattractive.

1—Improving earning trend.
2—Sustained earning trend.
3—Lower earning trend.

Amerada Petroleum: The import restriction plan likely to result in higher state allowables. Dividends will probably hold at $.50 quarterly. (A2)

Anderson Pritchard: Profit margins are showing impact of depressed product prices. Some improvement may be possible in later quarters. Dividend appears secure. (B3)

Atlantic Refining: Crude position showing improvement. Sharp impairment of earnings reflects unfavorable profit margins on East Coast and greater charges from increased exploratory activities. (B3)

Cities Service: This issue offers good growth potential. Current price reflects problems of petroleum industry. (B3)

Continental Oil: Company adding substantially to offshore reserves. Foreign operations indicate broader base. Earnings in 1958 may improve contrary to industry trend. (A1)

Cosden Petroleum: Spreads continue severely depressed between operating costs and product results. Profits likely to fall to around $2 per share for fiscal year ending April 30. (C3)

Creole Petroleum: One of Jersey's major subsidiaries, Creole is adding substantially to Venezuelan capacity, but has curtailed output. (A3)

Getty Oil: Company owns substantial assets including an interest in Middle East properties and equity interests in Skelly Oil and Tidewater. (C3)

Gulf Oil: Has one of better positions in Middle East, as well as largest reserves. Rapidly growing, domestic operations augur well for continued above-average earnings growth. (A1)

Humble Oil: One of country's largest producers, is another important part of the Standard of Jersey organization. Sharply decreased allowables in Texas, location of bulk of reserves, especially adverse near-term development. (A3)

Imperial Oil: Another Jersey subsidiary, Imperial is the leading oil enterprise in Canada. A large exploration, refining and marketing expansion program assures position of leadership. (A2)

Ohio Oil: With crude oil production more than double refinery requirements, earnings tend to be relatively stable during current period of weak product prices. More aggressive foreign exploration and substantial domestic assets offer promising long-term potentials. (B3)

Phillips Petroleum: Broadly diversified, having important interest in petrochemicals and natural gas, company appears assured of long-term growth. (A2)

Plymouth Oil: Performance has not kept pace with the rest of the industry. Future of company hinges largely on exploratory efforts. (D3)

Pure Oil: Holds large natural gas and crude oil reserves. Foreign exploratory program and better control of domestic operations indicate improving stature. (B3)

Richfield Oil: Triple exploratory play in Alaska, Venezuela and Dhofar offers excellent potential for overcoming historically unsuccessful efforts to increase crude oil reserves. An important West Coast marketer, company is good holding for income. (B3)

Royal Dutch Petroleum: Earnings are expected to hold around recent high levels in forepart of 1958. Issue considered a sound growth commitment. (A2)

Shell Oil: Ranks among highest quality companies in oil group. Company has had outstanding success in developing low cost domestic crude oil reserves and petrochemical activities. (A2)

Sinclair Oil: One of industry's leading marketers, company's major efforts to become self-sufficient in crude production are meeting with success. Earnings may show rapid recovery following improvement of refined product prices. (B3)

Skelly Oil: A producer on balance, Skelly's well-known integrated operations have reflected favorable long-term growth. (B3)

Socony Mobil: Ranks as the fourth largest international oil company. Sound holding for income and long-term growth. (A3)

Standard Oil (California): Relatively poor industry outlook on West Coast and disruption of operations in Indonesia have unfavorable near-term implications. Longer-term outlook favorable. Plan new financing. (A3)

Standard Oil (Indiana): International improvements and relatively better operating conditions in the Mid-Continent area indicate company may begin to realize potential of huge assets. (A3)

Standard Oil (New Jersey): The world's leading petroleum organization. Company is broadly diversified and relies less on Mid-East than other international companies. However, currently curtailed domestic and Venezuelan operations are adverse. (A3)

Standard Oil (Ohio): Is the leading petroleum marketer in its area. New plant and petrochemical activities improve outlook. (B2)

Sun Oil: Increased aggressiveness in marketing and entrance into foreign exploration may improve growth potential (B3)

Sunray-Mid Continent: Company is highly integrated mid-continent organization. Good holding for income. (B3)

Texas Company: One of the outstanding international oils, Texas has above-average record and growth potential. (A2)

Texas Gulf Producing: Future prospects of company rely heavily on successful exploration in Libya. (C3)

Texas Pacific Coal & Oil: Company 30% owned by Sinclair Oil. Operations are conservative and finances strong. (B3)

Tidewater Oil: Despite exceeding import quotas, inability to carry out plans to supply expensive new refinery in Delaware with foreign crude restrains earnings potential (C3)

Union Oil: West Coast organization. Growth has been hampered by unsuccessful effort to bolster crude oil production. (B3)

Comprehensive Statistics Comparing

Figures are in million dollars except where otherwise stated.	Atlantic Refining	Cities Service Company	Continental Oil	Gulf Oil	Ohio Oil	Phillips Petroleum	Pure Oil	Richfield Oil
CAPITALIZATION:								
Long-Term Debt (Stated Value)	$ 182.0	$ 480.1[2]	$ 151.7	$ 299.5	......	$ 332.7	$ 90.4	$ 99.0
Preferred Stock (Stated Value)	$ 35.2	......	......	......	......	......	......	......
No. of Common Shares Outstanding (000)	8,986	10,518	19,627	31,130	13,126	34,350	8,602	4,000
Capitalization	$ 307.0	$ 585.3	$ 249.8	$1,077.7	$ 98.7	$ 504.0	$ 133.5	$ 173.7
Total Surplus	$ 358.3	$ 510.7	$ 271.8	$1,412.0	$ 257.2	$ 808.5	$ 321.3	$ 148.6
INCOME ACCOUNT: Fiscal Year Ended	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
Net Sales	$ 565.9	$1,046.3	$ 608.8	$2,730.0	$ 288.7	$1,131.7	$ 508.7	$ 255.3
Depletion, Amortization, etc.	......	$ 80.6[1]	$ 2.4	......	$ 24.5	$ 24.3	$ 28.1[1]	$ 26.1[1]
Depreciation, Retirements, etc.	$ 51.6[1]	......	$ 25.8	$ 252.2[1]	......	$ 78.9	......	......
Intangibles, Devl. Costs, Losses on Leases, Drilling Costs, etc.	......	......	$ 58.5	......	$ 25.1	$ 20.3	......	$ 8.4
Total Income Taxes	$ 1.8	$ 17.4	$ 4.7	$ 133.4	$ 12.3	$ 36.4	$ 6.8	$ 8.0
Interest Charges	$ 5.9	$ 22.0	$ 4.5	$ 9.9	......	$ 12.9	$ 3.2	$ 3.2
Balances for Common	$ 34.3	$ 59.1	$ 46.7	$ 354.2	$ 41.4	$ 96.2	$ 35.5	$ 28.1
Operating Margin	4.1%	8.1%	8.3%	17.0%	17.4%	12.4%	8.4%	15.0%
Net Profit Margin	6.3%	5.6%	7.6%	13.0%	14.3%	8.5%	6.9%	11.0%
Percent Earned on Invested Capital	7.3%	9.6%	12.6%	16.1%	11.7%	9.8%	9.7%	12.6%
Earned Per Common Share*	$ 3.82	$ 5.63	$ 2.38	$ 11.38	$ 3.16	$ 2.80	$ 4.13	$ 7.04
BALANCE SHEET: Fiscal Year Ended	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
Cash and Marketable Securities	$ 25.6	$ 221.8	$ 39.8	$ 201.3	$ 39.0	$ 89.0	$ 46.7	$ 21.1
Inventories, Net	$ 56.7	$ 130.0	$ 51.3	$ 270.9	$ 37.1	$ 119.1	$ 52.3	$ 44.0
Receivables, Net	$ 59.4	$ 84.9	$ 69.1	$ 380.9	$ 26.5	$ 129.5	$ 55.1	$ 42.7
Current Assets	$ 167.7	$ 473.7	$ 177.3	$ 960.1	$ 102.7	$ 369.7	$ 173.7	$ 118.4
Current Liabilities	$ 65.4	$ 128.9	$ 73.0	$ 510.0	$ 37.8	$ 158.2	$ 55.4	$ 35.7
Working Capital	$ 102.3	$ 344.8	$ 104.3	$ 450.1	$ 64.9	$ 211.5	$ 118.3	$ 82.7
Fixed Assets, Net	$ 544.5	$ 760.6	$ 323.4	$1,954.2	$ 270.2	$1,101.6	$ 334.5	$ 223.8
Total Assets	$ 751.3	$1,279.1	$ 603.5	$3,240.5	$ 393.8	$1,519.6	$ 522.9	$ 358.0
Cash Assets Per Share	$ 2.85	$ 21.09	$ 2.03	$ 6.46	$ 2.98	$ 2.58	$ 5.43	$ 5.28
Current Ratio (C. A. to C. L.)	2.5	3.7	2.4	1.9	2.7	2.3	3.1	3.3
Inventories as Percent of Sales	10.2%	12.4%	8.4%	9.9%	12.8%	10.5%	10.2%	17.2%
Inventories as % of Current Assets	33.8%	27.4%	28.8%	28.2%	36.1%	30.3%	30.0%	37.2%

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

1—Includes deprec., depletion, amort., & retirements.

year to date, contracyclically to trends of general industry, shows signs of improvement over last year. While exports have been 64% below last year (not being inflated by emergency shipments to Europe early in 1957), they account for only 3% of total demand. On the other hand, domestic demand, so far, is actually 0.7% ahead of the comparable 1957 period. This modest improvement is considerably more encouraging than the overall statistics indicate. It confirms expectations that activity will hold or improve as was the case in former recessions. While gasoline consumption is down 0.5%, largely due to poor February driving conditions, distillate fuel oil demand is 6.6% higher for the period since January 1st. Demand for residual fuel oil, used mainly by industrial plants and utilities, is the current problem product, being down 8.2%. However, the effect of lower residual demand on earnings is relatively less important than the higher grade products because of a lower profit-spread and the fact that it accounts for 16% of total demand versus 33% for gasoline and 32% for the lighter-end fuel oils, during this part of the year.

Natural gas consumption this year is up 7%. This energy source has largely been responsible for curtailing the growth of petroleum fuels. However, both fuels are produced by the same industry.

Products Still in Over-Supply

Inventories, at the beginning of 1958, amounted to serious proportions. As a result, heavy pressure, which began last fall, continued to be exerted on the prices of refined products. This in turn, finally, depressed profit-margins to a point where crude oil prices were put in jeopardy. So far, about 10% of crude oil production is affected by small downward price adjustments. However, little further weakness is anticipated.

The industry is perennially censured for getting itself into an over-supply position. Few recognize that refinery scheduling must take into account a level of demand based on normally cold winter weather combined with favorable driving conditions. If this were not done, periods of extreme cold could cause too rapid a draw-down of fuel oil stocks. With subnormal working stocks in the hands of distributors, consumers would suffer acute hardship due to a lack of ready supplies. Unfortunately, while the industry usually can count on severe cold during some part of the heating season, the timing and duration is obviously indefinite. This year the expected cold period did not arrive until about three-fourths of the heating season had passed. The two weeks of frigid temperatures in February, therefore, came at a time when most observers had largely abandoned all hope for the industry being able to extricate itself from a nearly untenable supply position. However, the severe weather resulted in an extremely rapid movement of products and a near elimination of excessive fuel oil supplies, excepting still burdensome amounts on the West Coast.

As the heating season draws to an end in March of each year, it is over-lapped by rising demand for

mparing the Position of Leading Oil Companies

Shell Oil	Sinclair Oil	Skelly Oil	Standard Oil of Calif.	Standard Oil of Indiana	Standard Oil of Ohio	Sun Oil	Sunray Mid-Cont. Oil	Texas Company	Tidewater Oil Co.	Union Oil
$ 166.0	$ 340.5	$ 5.6	$ 82.2[2]	$ 271.6	$ 63.0	$ 47.3	$ 55.9	$ 306.7	$ 245.5	$ 187.0
......	......	......	......	......	$ 20.4	......	$ 72.6	......	$ 62.3	......
30,286	15,565	5,746	63,224	35,769	4,827	11,397	17,353	55,937	12,594	7,716
$ 393.2	$ 418.3	$ 149.3	$ 477.4	$1,165.8	$ 131.6	$ 494.5	$ 146.0	$1,715.6	$ 434.5	$ 379.9
$ 750.4	$ 884.5	$ 181.5	$1,463.7	$1,118.0	$ 188.9	$ 85.7	$ 332.8	$ 619.4	$ 262.7	$ 217.4
12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
$1,764.6	$1,251.0	$ 263.1	$1,650.8	$2,010.1	$ 419.0	$ 771.6	$ 358.2	$2,344.1	$ 596.2	$ 426.1
$ 23.5	......	......	......	$ 59.5	$ 4.7	......	$ 15.0	$ 216.1[1]	$ 55.8[1]	......
$ 108.6	$ 84.0[1]	$ 33.5[1]	$ 143.9[1]	$ 104.1	$ 15.2	$ 53.7[1]	$ 14.2	......	......	$ 44.7[1]
$ 95.7	$ 24.9	......	......	......	$ 8.4	$ 39.9	$ 14.9	$ 45.4	$ 7.1	$ 20.2
$ 33.0	$ 21.0	$ 9.7	$ 40.1	$ 26.3	$ 8.6	$ 7.9	$ 21.4	$ 83.9	$(cr)2.9	$ 1.8
$ 5.4	$ 13.6	$ .1	$ 2.0	$ 9.4	$ 1.9	$ 1.7	$ 1.7	$ 12.5	$ 8.9	$ 5.7
$ 135.0	$ 79.3	$ 36.7	$ 288.2	$ 151.5	$ 23.1	$ 47.4	$ 53.5	$ 332.3	$ 31.9	$ 38.2
9.3%	7.9%	16.9%	14.6%	8.6%	7.1%	6.4%	19.1%	14.1%	6.3%	9.8%
7.6%	6.3%	13.9%	17.7%	7.5%	5.7%	6.1%	15.9%	14.1%	5.8%	8.9%
13.8%	8.2%	11.3%	15.5%	7.5%	9.2%	8.9%	13.5%	16.4%	7.7%	9.2%
$ 4.46	$ 5.18	$ 6.40	$ 4.56	$ 4.24	$ 4.79	$ 4.17	$ 3.09	$ 5.94	$ 2.54	$ 4.95
12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57
$ 118.0	$ 185.6	$ 43.5	$ 97.3	$ 169.4	$ 21.1	$ 42.4	$ 68.6	$ 229.8	$ 29.4	$ 97.1
$ 192.8	$ 124.8	$ 18.2	$ 161.9	$ 213.5	$ 44.4	$ 72.4	$ 51.8	$ 322.9	$ 57.3	$ 55.3
$ 168.3	$ 113.2	$ 23.8	$ 228.5	$ 226.8	$ 48.7	$ 57.0	$ 27.5	$ 279.6	$ 64.1	$ 65.9
$ 534.6	$ 453.8	$ 99.0	$ 581.6	$ 663.5	$ 123.7	$ 204.0	$ 148.0	$ 884.0	$ 180.4	$ 228.9
$ 240.8	$ 150.8	$ 33.3	$ 284.4	$ 249.3	$ 65.6	$ 75.9	$ 59.1	$ 288.3	$ 102.2	$ 67.7
$ 293.8	$ 303.0	$ 65.7	$ 297.2	$ 414.2	$ 58.1	$ 128.1	$ 88.9	$ 595.7	$ 78.2	$ 161.2
$ 769.3	$ 918.1	$ 261.0	$1,537.5	$1,791.5	$ 252.5	$ 435.5	$ 381.9	$1,590.0	$ 552.9	$ 429.5
$1,384.5	$1,480.6	$ 367.0	$2,246.2	$2,535.0	$ 386.3	$ 653.2	$ 537.8	$2,729.0	$ 797.4	$ 673.2
$ 3.89	$ 11.92	$ 7.57	$ 1.53	$ 4.73	$ 4.36	$ 3.71	$ 3.95	$ 4.11	$ 2.33	$ 12.58
2.2	3.0	3.0	2.0	2.6	1.9	2.7	2.5	3.0	1.7	3.3
10.9%	9.9%	6.9%	9.8%	10.6%	11.7%	9.4%	14.4%	13.8%	9.6%	12.9%
36.1%	27.5%	18.3%	27.8%	32.2%	35.9%	35.4%	35.0%	36.5%	31.7%	24.1%

[2]—Includes subsidiaries.

gasoline. Therefore, the favorable restraint on new supply, if continued, indicates an approach to a healthy balance during spring operations. The stage is set, moreover, for a substantial recovery of refinery profit-margins. Such "spread", in some cases, is down to almost half of combined out-of-pocket expenses and writeoffs. With stocks at reasonable levels and producing operations curtailed, crude prices are likely to hold. If so, and if demand continues to be favorable, product prices should have only one way to go – up. Timing is the main question. The months of May and June would appear to be the most probable months during which prices could be reinstated to more economic levels. The alternatives to failure to raise prices might be the elimination of many independents and serious injury to the majors.

International Companies

The year 1957, having been a year of sharp contracts, offers an ideal illustration of the investment quality of broadly diversified companies. The following table, showing the sustained level of 1957 earnings as compared with 1956 of the international companies, reflects an almost complete offset to curtailed Mid-East operations by accelerated operations in the U.S. and other Western Hemisphere countries in the beginning of the year and an offset to depressed profit-margins in the United States by the resurgence of Eastern Hemisphere demand in the latter part of the year.

	Earnings per share 1957	1956	% Change
British Petroleum	$ 1.40 est.	$1.45	–3.5
Gulf Oil	10.60	9.54	11.1
Royal Dutch	5.90 est.	4.97	18.7
Socony Mobil	4.62	5.12	–9.8
Standard Oil (California)	4.56	4.24	7.6
Standard Oil (New Jersey)	4.05	4.11	– 1.5
Texas Company	5.94	5.51	7.8

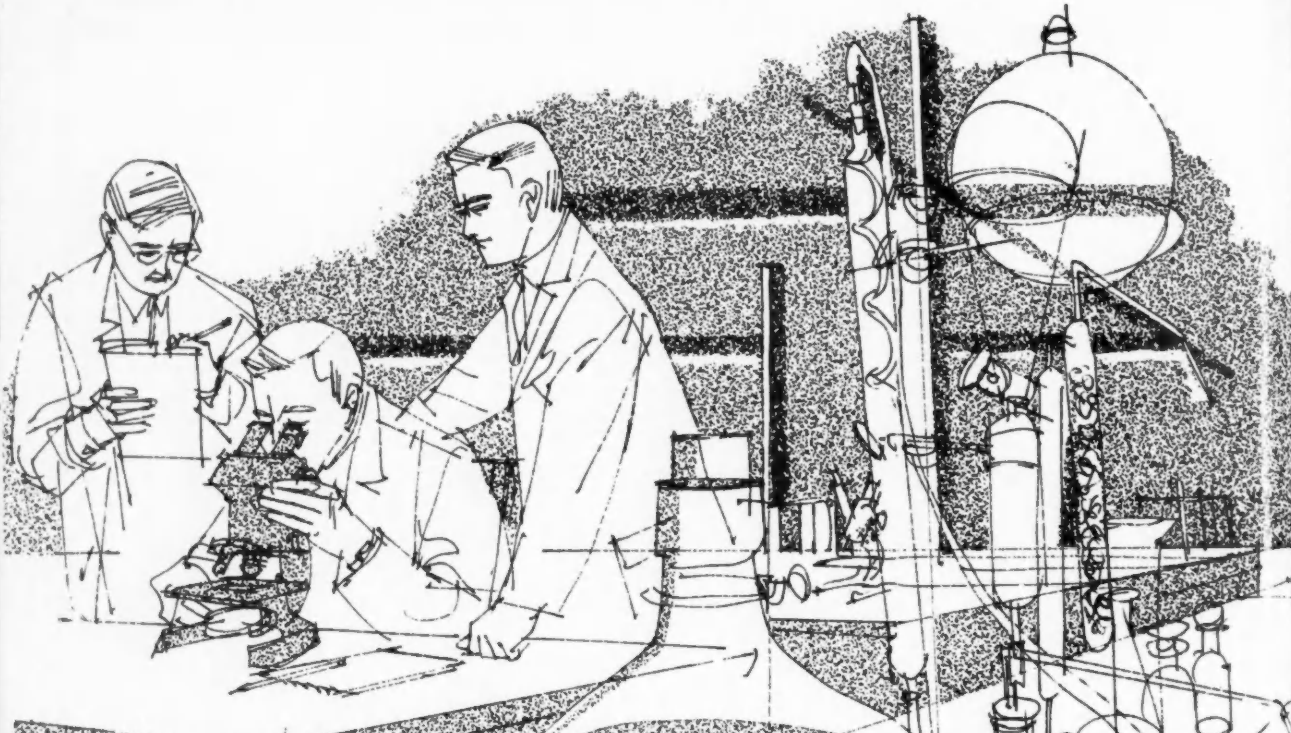
The geographical distribution of 1956 earnings of these international oil companies was as follows:

GEOGRAPHICAL DISTRIBUTION OF EARNINGS – 1956

Per Cent

	United States	Other West. Hemis.	Total West. Hemis.	East. Hemis.	Total
Standard Oil (California)	55%	6%	61%	39%	100%
Texas	51	14	65	35	100
Socony Mobil	47	19	66	34	100
Gulf Oil	40	21	61	39	100
Standard Oil (New Jersey)	27	51	78	22	100
Royal Dutch	19	34	53	47	100

The outlook for the international companies for 1958 is for above-average performance. While total demand growth in the United States this year is a debatable subject, and total consumption may show no change, increased petroleum demand in the balance of the free world should at least approximate one-half of the 11% to 12% gains of recent years. Business abroad is reported to be holding up well, so far, despite the United States recession. French industrial production (*Please turn to page* 116)



CHEMICALS

Show High Diversity Through 1958

NO. 4 — BY JONATHAN EDWARDS

DESPITE the profits slowdown that developed in the latter half of 1957, there appears to be no diminution in the chemical industry's extraordinary growth. Sales, in the recession year of 1957 were $24.5 billion—a 7 per cent increase over 1956—and from the trends already established this year, 1958 will probably show another 5 per cent rise. Also in 1957, total assets of all companies in the field rose to almost $20 billion, making chemicals the third largest among our domestic industries.

True to the temper of the times, however, the picture was not all rosy. The merry-go-round of rising wages—rising costs—and stickier sales prices, cut into the profit margins for most companies, dropping the industry average to about 7.8 per cent of sales from 8.3 per cent a year ago. Nevertheless, at this level, the profitability of chemical companies is still better than the national average of 5.2 per cent for other manufacturing enterprises.

This is a little surprising at first glance, since prices of chemical products have risen considerably less than manufactured goods in the past several years, while the chemical producers have been no more immune to rising wage, transportation and other costs than other industries. On closer scrutiny, however, it becomes readily apparent that the consistent new product success of the chemical companies, their heavy concentration on research, and the constant new investment in more efficient plant and equipment has paid off handsomely enough to keep most major stocks in the group well ensconced in the "growth" stock category.

Research and Capital Expenditures

Even today, in the midst of the most severe recession of the post-war period there is little sign of any slowing down. Over $500 million is budgeted for research and development in 1958 on the assumption that its old formula of "never standing still" is the best policy for the chemical field in both good times and bad. Of course, the "proof is in the pudding", and here the chemical companies have had ample evidence of the value of a constant stream of new products. Last year, for example, demand for most industrial chemicals declined as much as 15 per cent,

Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share 1955	Earnings Per Share 1956	Earnings Per Share 1957	Dividends Per Share 1955	Dividends Per Share 1956	Dividends Per Share 1957	Recent Price	Div. Yield	Price Range 1957-1958
Air Reduction	$3.21	$4.19	$4.31	$1.50	$2.37½	$2.50	54	4.6%	65¾- 45⅝
Allield Chemical & Dye	5.44	4.74	4.37	3.00[2]	3.00[1]	3.00	77	3.9	98¾- 68½
American Agricultural Chemical	7.01	6.58	7.41	4.50	4.50	4.50	71	6.3	71½- 59
American Cyanamid	2.04	2.11	2.42	1.25	1.37	1.60	45	3.5	48¼- 33⅛
Atlas Powder	4.70	5.61	5.50	2.30	2.40	2.40	64	3.7	79½- 56
Columbian Carbon	3.91	3.00	2.64	2.30	2.40	2.40	36	6.6	48½- 30⅛
Commercial Solvents	1.31	1.09	.53	1.00	1.00	.50[2]	11	4.5	19½- 9⅞
Diamond Alkali	3.38	3.83	2.53	1.50	1.50[1]	1.80[1]	32	5.6	57¾- 29⅞
Dow Chemical	1.64	2.52	2.25	1.00[2]	1.10[1]	1.20[1]	56	2.1	68¼- 49
Du Pont	9.26	8.19	8.48	7.00	6.50	6.50	176	3.6	206 -160¾
Food Machinery & Chemical	4.53	4.72	4.40[3]	2.00	2.00	2.00	56	3.5	65¼- 42¾
Freeport Sulphur	4.96	5.35	5.19	2.62	3.00	3.00	83	3.6	123 - 67¼
Hercules Powder	2.30	2.10	2.12	1.00	1.10	1.10	39	2.8	47⅞- 35
Heyden Newport Chemical	1.09	1.07	1.08	.50	.80	.80	13	6.1	17¼- 10¾
Hooker Electrochemical	1.73	1.75	1.34	.95	1.00	1.00	26	3.8	39⅝- 22½
International Minerals & Chem.	2.55	2.14	3.12	1.60	1.60	1.60	28	5.7	31⅞- 25¼
Jefferson Lake Sulphur	2.40	2.16	1.60[3]	1.60	1.60	1.20[2]	25	4.8	47¾- 18
Koppers Co.	4.92	5.01	3.86	2.50	2.50	2.50	39	6.4	65½- 33
Monsanto Chemical	1.99	1.80	1.68	.92[1]	1.00[1]	1.00[1]	32	3.1	41¾- 30⅛
Nopco Chemical	3.05	3.15	3.25	1.75	2.05	2.00	33	6.0	39½- 29
Olin Mathieson Chemical	3.36	3.38	2.67	2.00	2.00	2.00	37	5.4	61¾- 37
Pennsalt Chemicals	2.80	2.92	2.65[3]	1.85	1.85	1.85	52	3.5	70¾- 48½
Pittsburgh Coke & Chemical	2.34	3.03	1.98	1.25[1]	1.25[1]	1.25[1]	18	6.9	27½- 15¼
Rohm & Haas	17.23	15.21	14.32	1.60[1]	2.40[1]	2.00[1]	324	.8	423½-285
Spencer Chemical	4.04	4.73	4.05	2.40	2.40	2.40	55	4.3	65 - 45¼
Stauffer Chemical	3.99	3.97	3.71	1.47½	2.15[1]	1.80[1]	62	2.9	83¼- 54⅝
Tennessee Corp.	4.20	5.11	4.10	1.80[1]	2.37[1]	2.45[1]	44	5.5	60¼- 34
Texas Gulf Sulphur	3.23	2.81	1.75	2.00	2.00	1.00[2]	18	5.5	33 - 14½
Union Carbide	4.86	4.86	4.45	3.00	3.15	3.60	89	4.0	124½- 86⅝
United Carbon	4.66	5.04	5.22	1.85	2.00	2.00	48	4.1	71¼- 44
Victor Chemical	2.16	2.02	2.03	1.45	1.40	1.40	58	2.4	33½- 23¼
Virginia-Carolina Chemical	2.28	.20	[d] .65	......	......	......	18	....	25½- 12¾

[d]—Deficit. [1]—Plus stock. [2]—Latest 1958 rate. [3]—Estimated.

RATINGS:
A—Best Grade. B—Good Grade. C—Speculative. D—Unattractive.
1—Improving earning trend. 2—Sustained earning trend. 3—Lower earning trend.

Air Reduction: One of the principal producers of industrial gases, company has improved its position through diversification and sound expansion. Slowdown in metal working industries may adversely affect 1958 earnings but stock is worth holding. (B2)

Allied Chemical: An important producer of basic chemicals, Allied will probably show lower earnings because of reduced overall industrial activity. Long term picture has been strengthened by expanded research program. (A2)

American Agricultural Chemical: Company performed well in 1957, and 1958 should be another good year. However, the vagaries of the weather affecting agriculture make results uncertain in any year. (B1)

Atlas Powder: A well situated producer of explosives, company should benefit from increased public works programs. A further earnings gain is in prospect this year. (B1)

Columbian Carbon: Sales advance can be expected in 1958, but reduced margins and heavy expenses connected with company's new oil venture should depress earnings further. (B3)

Commercial Solvents: Diversification program is now well under way, but heavy charges against earnings and high start up expenses of new facilities make earnings improvement doubtful. (C2)

Diamond Alkali: Well entrenched producer of basic chemicals, the company is caught in a tight cost-price squeeze. No earnings improvement expected. (B2)

Food Machinery & Chemical: An aggressively expanding machinery and chemical company, Food Machinery should continue to improve its efficient operations and again report higher earnings. (B1)

Freeport Sulphur: Diversified sulphur producer with better than average record. Operations should be satisfactory, but slight earnings decline still lies ahead. (B1)

Hercules Powder: A major explosives manufacturer, company has virtually completed diversification and expansion program. With start-up expenses behind it, 1958 could be a more profitable year. (A2)

Heyden-Newport Chemical: Company is now operating efficiently after merger in 1957. Naval stores volume should remain steady. Results in 1958 should not vary much from last year. (C2)

Hooker Electrochemical: Company is now well diversified, but overcapacity for chlorine, one of its basic products, and reduced margins in other lines should retard 1958 earnings. (B2)

Jefferson Lake Sulphur: Third largest domestic sulphur producer, earnings are being adversely affected by lower sulphur prices. Diversification is fairly extensive in chemicals and petroleum, but earnings improvement is not in sight. (B2)

Koppers Co.: A major manufacturer of coking ovens, most diversification has been in coal derivative chemicals. Weakened price structure and slower demand for most lines may lead to additional earnings drop in 1958. (B3)

Montsanto Chemical: Company's growth record has been good, but recent results have been disappointing. Earnings dropped further in the first quarter of 1958, indicating another lower earnings year. (A2)

Nopco Chemical: Small but well entrenched, company enjoyed a good year in 1957. In the current year however, earnings growth will be hindered by weakness in some important lines. Nevertheless net should approximate last years. (B2)

Olin Mathieson: Widely diversified, and active in important defense fields, earnings has retarded by heavy expenses incurred in expansion program. Poor outlook for aluminum and some of basic chemical lines indicates lower net again in 1958. (B3)

Pennsalt Chemicals: An important industrial chemicals producer, good progress has been made in improving operating efficiency. With margins improving, results should equal those of 1957. (B2)

Pittsburgh Coke & Chemical: Diversification into chemicals has helped earnings, but weakness of pig iron and coke operations indicates lower net. (B3)

Rohm & Haas: Well run, with an excellent growth record, company has been exceptionally successful with new products. Profit margin difficulties may hold net down again, but growth prospects are still good. (A2)

Spencer Chemical: A polyethylene and ammonia producer, sales should recede moderately in the year ahead. Nevertheless company's excellent low-operating cost record is a source of stability. (B2)

Stauffer Chemical: Strong market for borax, and recent entrance into the high energy fuel field indicates continued good growth. In 1958, however weakened industrial market will retard earnings. (B2)

Tennessee Corp.: A basic chemicals producer, mostly sulphuric oxide, company's record is good, but weakened profit margins will lead to a lower 1958. (C2)

United Carbon: An important carbon black producer, but major revenues now come from natural gas and products. Importance of synthetic rubber should keep earnings in line with 1957 results. (B2)

Victor Chemical Works: Growth in the use of detergents has helped earnings of this company considerably. Efficient operating record should help Victor to sustain earnings this year. (B2)

Virginia-Carolina Chemical: Poor recent record and absence of dividends makes stock unattractive. New management is reorganizing internal structure. (C2)

Comprehensive Statistics Compar

Figures are in million dollars except where otherwise stated	Air Reduction	Allied Chemical & Dye	American Cyanamid	Atlas Powder	Columbian Carbon	Commercial Solvents	Dow Chemical
CAPITALIZATION:							
Long Term Debt (Stated Value)	$ 44.7	$192.4	$ 92.7	$ 3.8	$ 11.2	$ 21.8	$159.7
Preferred Stocks (Stated Value)	$ 2.1	......	$ .2	......	......	......	......
No. of Common Shares Outstanding (000)	3,796	9,922	21,224	753	1,612	2,741	24,772
Capitalization	$103.0	$397.7	$305.8	$ 18.9	$ 33.1	$ 28.5	$278.0
Total Surplus	$ 65.7	$242.2	$176.8	$ 22.0	$ 39.2	$ 31.9	$256.0
INCOME ACCOUNT:							
Fiscal Year Ended	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	5/31/57
Net Sales	$189.9	$683.0	$532.4	$ 69.9	$ 70.9	$ 65.9	$627.8
Deprec., Depletion, Amort., etc.	$ 10.2	$ 53.6	$ 32.1	$ 2.4	$ 9.6	$ 3.5	$ 80.8
Income Taxes	$ 15.9	$ 31.1	$ 51.0	$ 3.7	$ 3.2	$ 2.3	$ 51.5
Interest Charges, etc.	$ .8	$ 7.2	$ 3.5	$ .2	$ .5	$ .9	$ 5.4
Balance for Common	$ 16.3	$ 43.4	$ 51.3	$ 4.1	$ 4.2	$ 1.4	$ 53.1
Operating Margin	16.6%	11.2%	17.4%	11.3%	11.2%	6.5%	16.6%
Net Profit Margin	8.6%	6.3%	9.6%	5.9%	6.0%	2.2%	8.4%
Percent Earned on Invested Capital	13.3%	9.7%	13.1%	11.1%	6.9%	3.7%	14.2%
Earned Per Common Share*	$ 4.31	$ 4.37	$ 2.42	$ 5.50	$ 2.64	$ .53	$ 2.15
BALANCE SHEET:							
Fiscal Year Ended	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	5/31/57
Cash and Marketable Securities	$ 24.3	$ 60.8	$116.9	$ 5.8	$ 6.7	$ 5.9	$ 32.0
Inventories, Net	$ 27.5	$ 98.7	$ 92.9	$ 9.0	$ 13.0	$ 14.5	$149.1
Receivables, Net	$ 22.5	$ 73.6	$ 60.9	$ 10.9	$ 7.9	$ 10.5	$ 88.8
Current Assets	$ 75.4	$233.2	$270.9	$ 25.9	$ 27.8	$ 31.0	$269.9
Current Liabilities	$ 25.1	$ 71.8	$102.3	$ 7.8	$ 10.0	$ 8.9	$177.5
Working Capital	$ 50.3	$161.4	$168.6	$ 18.1	$ 17.8	$ 22.1	$ 92.4
Fixed Assets, Net	$114.9	$487.1	$280.7	$ 21.2	$ 50.5	$ 39.0	$465.1
Total Assets	$195.3	$756.5	$586.7	$ 49.2	$ 87.0	$ 73.4	$757.0
Cash Assets Per Share	$ 6.41	$ 6.13	$ 5.51	$ 7.71	$ 4.21	$ 2.16	$ 1.29
Current Ratio (C. A. to C. L.)	3.0	3.2	2.6	3.3	2.7	3.4	1.5
Inventories as Percent of Sales	14.5%	14.4%	17.4%	12.8%	18.4%	22.0%	23.7%
Inventories as % of Current Assets	36.5%	42.3%	34.2%	34.8%	46.8%	47.0%	41.1%

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

but new products such as plastics, high energy fuels and the like, stepped in admirably to fill the breach and carry sales on to new record levels.

Plastics, to cite one new product field (See Plastics article previous issue) is growing so rapidly that ten to twelve additional chemical companies will enter the field this year. In all, $253 million worth of new plant and equipment will be added to existing plastic facilities in 1958 in addition to the $200 million worth placed on stream in 1957.

Heavy research, of course, also takes its toll on earnings, helping to explain the reduced profit margins last year. Research is expensive, especially when coupled with an inflexible price structure for the industry's standard products and the large promotional expenses needed for the successful introduction of new products. Moreover, the constant need to construct new plants to house new operations is a chronic tax on cash reserves.

To cope with the expanding demand for their products chemical companies added $1.3 billion in new production facilities last year and plan, as of this moment, to spend another $2.54 billion in 1958-1959. By far the largest portion of this new investment will go into the newer fields of plastics, fuels, metals and synthetic rubber. The inclusion of metals in this classification may seem confusing, but the fact remains that most of the new metals are refined by chemical processes, with much of the actual work being done by chemical companies. Thus such exotic new metals as beryllium, zirconium, boron, tantalum and other tongue-twisters are whole new areas of growth for the chemical producers.

Sources of Strength

New product development has been the staff on which the chemical industry has leaned since its inception and today, the results of past research lends the companies their main stability. Chemicals are *now* used in virtually every productive industry and in a wide variety of consumer fields, assuring the producers a steady and diversified sales base that has proved resistant to serious decline.

Of equal significance, however, is the success the industry has enjoyed in financing its growth through internally generated funds. In 1957, for example, depreciation charges provided close to 50 per cent of the funds needed for expansion and another 40 per cent came from retained earnings. At the same time because of conservative financial policies, dividend coverage for most companies in the field was not threatened, even though reported earnings did ease slightly for the year.

But by far the greatest strength of the chemical industry rests in its ability to keep planning constantly for the future regardless of the conditions of the present. As a result, the industry is among the most completely automated in the country and can boast several installations that are models of modern techniques and labor saving devices.

Current Weaknesses

Of more immediate concern for stockholders is the present situation. Here the picture is mixed, but although there is little to encourage the purchase

Position of Leading Chemical Companies

Du Pont	Hercules Powder	Hooker Electro-Chemical	International Minerals & Chemical	Monsanto Chemical	Olin Mathieson Chemical	Rohm & Haas	Spencer Chemical	Stauffer Chemical	Texas Gulf Sulphur	Union Carbide Corp.	Victor Chemical Works
......	......	$ 35.0	$ 27.1	$148.9	$307.7	$ 4.0	$ 22.5	$ 21.8	......	$ 400.3	$ 7.6
$ 238.8	$ 9.6	$ 5.0	$ 9.8	......	$ 21.1	$ 6.1	$ 14.1	......	......	......	$ 7.4
45,604	8,327	6,460	2,337	22,226	13,272	1,073	1,124	3,531	10,020	30,067	1,684
$ 466.9	$ 27.0	$ 72.3	$ 21.5	$193.3	$395.2	$ 27.6	$ 43.3	$ 57.1	$ 26.1	$ 633.6	$ 23.5
$1,875.7	$100.1	$ 43.7	$ 65.5	$345.4	$295.5	$ 82.1	$ 24.3	$ 70.1	$ 81.0	$ 605.5	$ 18.0
12/31/57	12/31/57	11/30/57	6/30/57	12/31/57	12/31/57	12/31/57	6/30/57	12/31/57	12/31/57	12/31/57	12/31/57
$1,999.6	$254.7	$107.8	$106.1	$567.1	$592.8	$174.0	$ 48.2	$156.8	$ 66.8	$1,395.0	$ 52.1
$ 121.9	$ 14.9	$ 7.7	$ 6.8	$ 42.6	$ 25.5	$ 10.3	$ 4.4	$ 11.8	$ 9.9	$ 120.4	$ 3.0
$ 253.1	$ 18.9	$ 8.5	$ .6	$ 25.8	$ 31.0	$ 16.4	$ 5.2	$ 12.5	$ 2.7	$ 127.4	$ 3.4
......	......	$ 1.3	$ 1.0	$ 5.4	$ 9.0	$ .2	$ .9	$ .8	......	$ 14.5	$ .2
$ 386.5	$ 17.6	$ 8.6	$ 7.3	$ 37.4	$ 35.4	$ 15.3	$ 4.5	$ 13.1	$ 17.5	$ 133.7	$ 3.4
25.9%	13.7%	17.4%	8.8%	12.3%	12.1%	17.7%	23.4%	15.7%	28.4%	17.0%	13.4%
19.8%	7.1%	8.2%	7.2%	6.5%	6.1%	8.9%	10.6%	8.3%	26.2%	9.6%	7.0%
16.9%	14.1%	10.9%	8.8%	9.6%	9.5%	14.2%	11.4%	22.9%	16.4%	15.9%	10.9%
$ 8.48	$ 2.12	$ 1.34	$ 3.12	$ 1.68	$ 2.67	$ 14.32	$ 4.05	$ 3.71	$ 1.75	$ 4.45	$ 2.03
12/31/57	12/31/57	11/30/57	6/30/57	12/31/57	12/31/57	12/31/57	6/30/57	12/31/57	12/31/57	12/31/57	12/31/57
$ 335.5	$ 26.8	$ 13.1	$ 10.9	$ 38.4	$ 96.3	$ 5.6	$ 21.4	$ 13.3	$ 24.7	$ 164.5	$ 6.6
$ 278.7	$ 38.3	$ 20.3	$ 20.0	$ 94.5	$153.5	$ 26.5	$ 4.3	$ 24.2	$ 31.8	$ 313.4	$ 8.7
$ 151.6	$ 20.4	$ 12.4	$ 13.9	$ 67.9	$ 75.0	$ 16.4	$ 5.3	$ 13.9	$ 15.3	$ 161.1	$ 4.6
$ 778.3	$ 85.5	$ 46.5	$ 44.8	$200.9	$335.8	$ 49.7	$ 31.1	$ 51.5	$ 72.4	$ 639.1	$ 20.3
$ 141.7	$ 31.5	$ 15.2	$ 9.0	$ 74.2	$ 84.0	$ 25.7	$ 8.3	$ 10.6	$ 6.1	$ 216.3	$ 6.2
$ 636.6	$ 54.0	$ 31.3	$ 35.8	$126.7	$251.8	$ 24.0	$ 22.8	$ 40.9	$ 66.3	$ 421.8	$ 14.1
$1,734.8	$ 88.9	$ 85.3	$ 77.5	$362.9	$370.5	$ 86.7	$ 44.9	$ 73.5	$ 36.5	$ 785.0	$ 27.5
$3,551.8	$181.1	$134.0	$126.8	$631.0	$792.3	$139.6	$ 77.9	$138.0	$116.4	$1,456.3	$ 47.9
$ 7.35	$ 3.22	$ 2.04	$ 4.66	$ 1.73	$ 7.41	$ 5.29	$ 19.04	$ 3.76	$ 2.47	$ 5.47	$ 3.98
5.5	2.7	3.0	4.8	2.7	4.0	1.9	3.7	4.8	11.8	2.9	3.2
13.9%	15.4%	18.9%	18.8%	16.6%	25.9%	15.0%	8.9%	15.4%	47.7%	22.4%	16.7%
35.8%	44.8%	43.3%	44.6%	47.0%	45.7%	54.6%	13.8%	47.0%	44.0%	49.0%	43.0%

of chemical shares at the moment, there is also much—as outlined above—that seems to assure excellent results over time. The industry's principal difficulty now is the general recession hitting all domestic enterprise. That sales continue to climb is a tribute to the broad distribution of chemical products, but demand is soft enough for some products to lead to heated competition among producers, at the expense of overall profit margins.

Another important weakness at present is a basic one that affects all rapidly expanding industries from time to time. The constant drag of start-up expenses of new plants becomes more apparent in earnings statements as margins on established product lines slip. Thus for any particular quarter earnings may compare unfavorably, even though the new facilities may be important contributors to earnings in the near future.

Also adversely affecting the chemical companies is the inexorable upward creep of their costs for all productive facilities—labor, materials and transportation—and the unlikely prospect of across-the-board price increases. Actually, the price structure for most chemicals is firm, more so than for many other industrial products, but the structure is not strong enough to warrant significant price advances.

Looking to 1958

1958, therefore, shapes up as a stand-off year for the chemical companies, but the stand-off applies only to earnings and dividends. In virtually every other phase of its activities, it will be a year of further progress, combined with important stocktaking and dynamic cost-reduction moves.

Understandably, company managements are expressing caution for the year ahead. Just the general economic atmosphere dictates that approach. But under the surface there is a decided tone of long range optimism, despite the heavy toll capital expenditures are going to take from earnings in the next few quarters. Of course, any appraisal of the industry's prospects must be based on the assumption that the recession remains an orderly one. If it gets out of hand, however, stock holders can find assurances in the exceptionally fine showing the chemical industry made during the depression that followed the 1929 debacle.

Company Prospects Vary

For individual companies, prospects in the year ahead will depend on several factors. Most important will be the strength of their basic product lines, and the degree of diversification into new fields. Industrial chemicals producers for example may be particularly hard pressed unless other "other" products also play an important role in current operations.

Probably the prime instance of an industrial chemicals producer that has successfully diversified while staying within its basic field, is **American Cyanamid**. Only a few years ago, Cyanamid was almost completely a major producer of industrial and agricultural chemicals. Today, however, its Lederle Laboratories Division is one of the most highly regarded producers of antibiotics, (*Please turn to page* 104)

Assessing 1958 Possibilities for the DRUG COMPANIES

NO. 5 — BY PHILLIP DOBBS

IN THE drug industry the "magic formula" is research and the constant quest for new and glamorous products. The trail is an expensive one, but the rewards of success are the concrete ones of rapidly mounting sales and earnings for the companies—and higher dividends and stock prices for the shareholders. It is not surprising, therefore, that new products—as evidenced by the profusion of odd-sounding compounds on the market – represent a higher proportion of total sales than in any other industry.

Ethical Drugs

It is significant that leading companies in the ethical drug field spend between 4% and 6% of their annual sales on research, a much larger proportion than most manufacturing enterprises. Ethical drugs, sold to the public on prescription, represent not far from three-fourths of the industry's dollar volume. It has been estimated that only about 10% of the prescriptions written by doctors today could have been filled as recently as twenty years ago.

In recent years, the more spectacular discoveries have included polio vaccine, new antibiotics and tranquilizers. Behind the scene, insurance statistics reveal that the tuberculosis mortality rate has declined over 80% in the past decade, while the death rate from pneumonia and influenza has been reduced by almost 40%. Yet, there remain vast new fields to be conquered by research, including heart disease, cancer and the prosaic common cold.

Research represents a necessary and essential expenditure in the competitive field of modern ethical drugs. The rate of obsolescence of older products is high. To date, drugs to combat infections diseases have met with the greatest success. The "wonder drugs", penicillin and streptomycin, were introduced in the war years, and were followed by the broad-spectrum antiobiotics with a wide range of usefulness. Antibiotics are the largest selling group of products in the ethical drug field.

Hormones also represent important products in this field. New cortical hormones have supplanted, to a great extent, the older cortisone drugs used in treating arthritis. Other hormones include insulin for the treatment of diabetes, and thyroid drugs.

Tranquilizers have grown very rapidly in recent years. These agents are used in treating emotional stresses arising from various ailments, including mental illness and high blood pressure.

Vitamins constitute a large group of drug prod-

Statistical Data on Leading Drug Companies

	Earnings Per Share 1955	Earnings Per Share 1956	Earnings Per Share 1957	Dividends Per Share 1955	Dividends Per Share 1956	Dividends Per Share 1957	Recent Price	Div. Yield	Price Range 1957-1958
Abbott Laboratories	$2.48	$2.80	$3.30	$1.80	$1.90	$1.90[2]	52	3.6%	54¼-37¼
Allied Laboratories	1.89	3.61	5.01	.85	1.10[3]	1.20[3]	47	2.5	57¾-23⅝
American Home Products	2.68	4.07	5.03	1.65	2.50	3.00	82	3.6	89¼-59¼
Bristol Myers	2.98	3.55	4.07	1.50	1.75	2.00	60	3.3	62¾-41
Lehn & Fink	.51	2.47	3.15	1.00	1.00	1.70	28	6.0	28⅜-19
McKesson & Robbins	4.75	5.63	5.75[1]	2.50	2.57	2.80[2]	60	4.6	63 -47½
Merck & Co.	1.55	1.92	2.20	.80	1.00	1.40	47	2.9	49¼-29⅛
Norwich Pharmacal	1.50	1.80	2.08	.70	.90	1.20[2]	35	3.4	38 -25
Parke, Davis & Co.	2.92	3.59	5.67	1.40	1.70	3.00[2]	74	4.0	76 -42⅜
Pfizer (Chas.) & Co.	2.94	3.36	4.23	1.55	1.75	2.25	62	3.6	65¾-42¾
Plough Inc.	.81	1.05	1.40[1]	.37½	.45	.60[2]	23	2.6	24¾-14
Rexall Drug	1.19	1.35	1.45	.50	.50	.50	13	3.8	14 - 7⅞
Schering Corp.	2.36	3.41	3.80	.37½	.87½	1.20[2]	42	2.8	48¼-24⅛
Smith Kline & French Lab.	3.30	3.73	4.24	1.75	2.00	2.20	70	3.1	71 -53¼
Sterling Drug	1.99	2.14	2.40[1]	1.35	1.35	1.50	33	4.5	35¼-25½
Vick Chemical	3.49	3.51	3.90	1.35[3]	1.50[3]	1.60[2]	58	2.7	60¼-33¼
Warner-Lambert Pharm. Co.	4.07	4.50	5.43	1.70[3]	2.00	2.50[2]	65	3.8	69 -42⅛

[1]—Estimated. [2]—Latest 1958 rate. [3]—Plus stock.

Abbott Laboratories: Has developed steady flow of new ethical drugs over the year, but no outstanding product recently. Increasing research activities. Dividend well-covered.

Allied Laboratories: Major veterinary drug producer with broadened position in human ethical drugs. Last year's earnings had benefit of unusual volume of vaccine sales. Wide dividend coverage.

American Home Products: Diversified position in ethical and proprietary drugs. Also food and household products. Long record of growth. Outlook continues favorable but yield not impressive.

Bristol-Myers: Primarily a producer of proprietary drugs and toiletries, with minor position in ethical drug field. Further growth in proprietary products indicated.

Lehn & Fink: Well-established products in cosmetic and toiletry field. Further sales growth depends primarily on advertising. Business highly competitive.

McKesson & Robbins: Wholesaler of drugs and drug store items on national scale. Also imports liquors and distributes domestic whiskies and wines. Fairly stable earnings.

Merck & Co.: Long-established in fine chemicals and pharmaceutical products. Continuing large research program. Growth steady rather than spectacular. Low yield.

Norwich Pharmacal: Largely a producer of proprietary drug products. Increasing its position in medical and veterinary fields. Good growth record but only moderate yield.

Parke Davis: Leading and long-established ethical drug manufacturer. Important in antibiotics, vitamins and vaccines. Expanding research. Long-term growth indicated.

Pfizer (Chas.) & Co.: Strong position in antibiotics and diversification in other ethical drugs. Planning major expansion into vaccines. Favorable growth prospects over longer term.

Plough, Inc.: Moderate-sized producer of proprietary drugs, medicines, cosmetics and household products. Gradual expansion.

Rexall Drug: Operates chain of drug stores. Also distributes at wholesale and manufacturers drug and sundry products. Program of upgrading retail outlets.

Schering Corp.: Spectacular success in arthritic drugs but field highly competitive. Broadening position in other ethical products through large research program.

Smith, Kline & French Laboratories: Important in ethical drug specialties. Recent sales gains due in part to tranquilizers, but research gives promise of new products.

Sterling Drug: Leading manufacturer of packaged medicines, ethical drugs and household products. Proprietary line includes Bayer Aspirin. Moderate growth. Good yield.

Vick Chemical: Dependent largely on well-known line of cold remedies. Broadening position through research and acquisitions. Growth record good. Low yield.

Warner-Lambert Pharmacal: Important manufacturer of proprietary drugs, cosmetics and toiletries. Also ethical drug products. Aggressive management. Growth indicated.

ucts, sold both by prescription and over-the-counter. The market for these products continues to grow steadily, and most of the larger pharmaceutical companies produce vitamin lines as "bread and butter" items.

Proprietary Drugs

Proprietary drugs, as distinguished from ethical drugs, are advertised to the public and sold over-the-counter. The more important proprietary products include vitamins, aspirin, cold remedies, laxatives and cathartics. In this field, research expenditures are considerably less than for ethical drugs, and profit margins are determined, to a great extent, by advertising and packaging costs, as well as distributing expenses. In the current general business recession, it is interesting to note that sales of proprietary drugs have held up as well as in similar periods in the past, as consumers tend to use the less expensive and simpler forms of medication.

Flu Epidemic

It is estimated that sales of pharmaceutical manufacturers were around $2 billion last year, an increase of about 15% over 1956. However, various factors point to the probability of a smaller rate of gain, this year. The flu epidemic in 1957 stimulated sales of both a new vaccine for flu prevention and antibiotics as a remedy. Further, sales of polio vaccine may have reached a peak last year. Finally, the 1958 gain in drug exports may be more moderate.

Foreign Sales

Foreign sales have represented a substantial proportion of the business of leading drug companies since the war. However, exports have shown a slower rate of growth in recent years, in part due to European manufacturers regaining their share of world markets lost during the war, and also due to American companies establishing manufacturing facilities abroad. There are indications that this trend may continue.

Federal Trade Commission

At the time of going to press, the Federal Trade Commission has not yet issued its report on the drug industry, expected early this year. The Commission has been investigating competition and pricing in antibiotics. The report may be critical of profit margins in the industry. However, the industry believes that its profit margins are fair, in view of its large research expenditures. When profit margins are wide on new drugs, experience

indicates that they are corrected in time by competition.

In general, it can be said today that former lines of demarcation between ethical and proprietary drug manufacturers no longer exist, as many of the leading companies produce both groups of products. In a number of important respects, each drug company is an individual enterprise, to be judged on its own merit.

Parke, Davis & Company is one of the largest producers of pharmaceutical products. The company manufactures over 600 drugs, including antibiotics, sulfas, vitamins and vaccines. More than one-half of its sales are represented by drugs developed in the past decade. Last year, the company introduced seven new products, including Paracortol for arthritis and Asiatic flu vaccine. Chloromycetin, the company's exclusive broad-spectrum antibiotic, is by far the largest single product, representing close to one-third of total sales. Parke Davis is a good example of a drug company that experienced an interruption in its growth. From 1951 to 1954, sales of Chloromycetin dropped sharply due to misuse of this new drug, while at the same time antibiotic prices declined. However, since 1954, the company's sales have been in an upward trend, with Chloromycetin contributing to this gain. Last year, both sales and earnings reached an all-time peak. This was due in part to the high level of demand for polio and flu vaccines, as well as to increased use of antibiotics arising from the flu epidemic. It was also due to more normal growth resulting from new products. Sales of $162.3 million, for the year 1957, were 21% higher than in 1956 and more than double the volume of 1948. About 30% of 1957 sales were made in foreign markets outside of the U.S. and Canada. Expenditures on research last year amounted to $6.5 million, of which about 40% represented research on antibiotics and synthetic chemicals for the treatment of infectious diseases and cancer. The company intends to expand its research budget to about $8 million yearly. For the year 1957, earnings amounted to $5.67 per share, compared with $3.59 in 1956. The indicated annual dividend rate is $3.00 per share, including a $1.00 extra paid last January. At the current price of about 75, the stock yields 4%. Notwithstanding this moderate yield and the substantial advance in price, the longer term investor may not wish to disturb his position. However, a more cautious view might indicate a partial sale for the purpose of realizing some of his capital gain.

Chas. Pfizer & Co. manufactures a variety of pharmaceutical and chemical products, including antibiotics, hormones, vitamins and antihistamines. It has a strong position in antibiotics, including Terramycin, its own product discovered in 1949. The company has been highly successful in developing and merchandising ethical drugs, especially antibiotics. It is planning a major expansion into vaccines. Last year, the company spent over $10 million on research, equivalent to about 5% of total sales. It is currently expanding its chemical and biochemical laboratory facilities for research. Under a recent contract with the National Institutes of Health, the company is testing its antibiotic filtrates and other organic compounds for use against cancer. In 1957, the company enjoyed record sales for the seventh consecutive year. The increase in volume last year was due to both introduction of new products and to wider use of antibiotics in combating the flu epidemic. A little over a third of 1957 sales represented overseas business. Last year's sales of $207.1 million were up 16% from 1956 and amounted to over four times the volume of 1949. For the year 1957, earnings increased to $4.22 per share from $3.36 in 1956. The indicated annual dividend rate is $2.25 per share, including a 65 cent extra paid last December. At the current price of about 64, the stock yields only 3.5%. Despite the company's prospects for further long-term growth, the prudent investor may desire to accept some of his profit, after the recent sharp advance in the price of the stock.

Merck & Co. is a long-established manufacturer of fine chemicals and pharmaceutical products. Last year, vitamins, steroid hormones and antibiotics represented 58% of total sales. Biologicals became a more important group of products in 1957, due mainly to increased sales of polio and flu vaccines. In its 1957 annual report, the company stated that the industry had produced both vaccines in such quantities that the supply currently exceeds demand. The 1953 merger with Sharp & Dohme gave the company an established distribution system for marketing various new products. Last year, Merck spent $13.1 million on research, equivalent to the large figure of 7% of sales. Recently, the company introduced Diuril, a new drug discovery that promises to be important in treating heart disease, high blood pressure and other conditions. The year 1958 marks the 25th anniversary of establishment of the company's research laboratories. In 1957,

Comprehensive Statistics Comparing Posit

Figures are in million dollars except where otherwise stated.	Abbott Laboratories
CAPITALIZATION:	
Long Term Debt (Stated Value)	......
Preferred Stocks (Stated Value)	$ 8.6
No. of Common Shares Outstanding (000)	3,740
Capitalization	$ 34.0
Total Surplus	$ 47.3
INCOME ACCOUNT:	
Fiscal Year Ended	12/31/57
Net Sales	$.11.2
Deprec., Depletion, Amort., etc.	$ 2.2
Income Taxes	$ 11.9
Interest Charges etc.	......
Balance for Common	$ 12.6
Operating Margin	21.8%
Net Profit Margin	11.4%
Percent Earned on Invested Capital	15.6%
Earned Per Common Share*	$ 3.30
BALANCE SHEET:	
Fiscal Year Ended	12/31/57
Cash and Marketable Securities	$ 22.6
Inventories, Net	$ 25.3
Receivables, Net	$ 21.2
Current Assets	$ 69.1
Current Liabilities	$ 32.6
Working Capital	$ 36.5
Fixed Assets, Net	$ 36.7
Total Assets	$113.9
Cash Assets Per Share	$ 6.05
Current Ratio (C. A. to C. L.)	2.1
Inventories as Percent of Sales	22.7%
Inventories as % of Current Assets	36.6%

*—Data on dividend, current price of stocks and yields in supplementary table on preceding page.

Position of Leading Drug Companies

American Home Products	Lehn & Fink	Merck & Co.	Norwich Pharmacal	Parke, Davis & Co.	Pfizer (Chas.) & Co.	Rexall Drug	Schering Corp.	Smith Kline & French Lab.	Vick Chemical	Warner-Lambert Pharm.
$ 9.0	$ .4	$ .6	$ 1.7	......	......	$ 24.3	......	......	......	$ 6.2
......	......	$ 35.0	......	......	$ 8.1	......	$ 8.3	......	......	$ 7.0
7,681	394	9,856	1,899	4,921	5,371	3,501	3,938	4,843	1,619	2,581
$ 16.7	$ 2.4	$ 37.2	$ 4.1	$ 14.4	$ 13.5	$ 33.1	$ 12.3	$ 1.6	$ 4.2	$ 15.8
$104.7	$ 7.6	$111.4	$ 13.9	$102.5	$117.4	$ 41.8	$ 37.1	$ 53.0	$ 45.7	$ 53.2
12/31/57	6/30/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	6/30/57	12/31/57
$347.2	$ 27.3	$186.9	$ 33.4	$162.2	$207.1	$167.5	$ 80.6	$115.4	$ 94.7	$150.9
$ 3.0	$ .2	$ 7.2	$ .5	$ 3.0	$ 6.2	$ 2.0	$ 1.3	$ 2.1	$ 1.5	$ 2.4
$ 42.4	$ 1.0	$ 19.3	$ 4.1	$ 26.7	$ 20.0	$ 4.6	$ 15.4	$ 23.5	$ 8.8	$ 14.8
$ .5	$ .1	......	$ .1	$ .2	......	$ .9	......	......	......	$ .6
$ 38.6	$1,242	$ 22.6	$ 3.9	$ 27.9	$ 22.9	$ 4.6	$ 15.2	$ 20.5	$ 7.8	$ 14.3
23.3%	7.6%	17.6%	23.5%	31.3%	19.7%	6.0%	33.6%	37.8%	17.0%	19.3%
11.0%	4.5%	12.3%	11.8%	17.2%	11.0%	2.7%	19.0%	17.8%	8.3%	9.4%
34.3%	13.0%	15.6%	24.1%	23.9%	17.5%	9.1%	31.1%	24.2%	13.1%	22.8%
$ 5.03	$ 3.15	$ 2.20	$ 2.07	$ 5.67	$ 4.23	$ 1.45	$ 3.80	$ 4.24	$ 4.87	$ 5.43
12/31/57	6/30/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	12/31/57	6/30/57	12/31/57
$ 43.3	$ 2.9	$ 30.5	$ 5.8	$ 55.5	$ 25.6	$ 14.4	$ 32.3	$ 29.8	$ 16.4	$ 17.0
$ 51.5	$ 4.5	$ 37.8	$ 3.8	$ 36.1	$ 61.7	$ 40.1	$ 13.3	$ 13.2	$ 18.6	$ 23.1
$ 37.5	$ 2.5	$ 16.7	$ 6.6	$ 22.6	$ 37.6	$ 17.7	$ 8.6	$ 8.8	$ 6.8	$ 19.8
$134.2	$ 10.2	$111.6	$ 16.9	$116.5	$125.0	$ 72.2	$ 55.0	$ 53.3	$ 42.9	$ 62.7
$ 57.6	$ 2.6	$ 33.0	$ 5.7	$ 48.7	$ 50.1	$ 22.1	$ 20.2	$ 25.4	$ 4.9	$ 28.1
$ 76.6	$ 7.6	$ 78.6	$ 11.2	$ 67.8	$ 74.9	$ 50.1	$ 34.8	$ 27.9	$ 38.0	$ 34.6
$ 43.2	$ 1.5	$ 69.1	$ 6.6	$ 39.4	$ 44.4	$ 20.1	$ 14.7	$ 28.4	$ 13.5	$ 31.4
$190.8	$ 12.6	$182.7	$ 23.7	$170.8	$179.6	$ 97.0	$ 70.1	$ 81.8	$ 66.6	$ 97.1
$ 5.64	$ 7.43	$ 3.09	$ 3.08	$ 11.27	$ 4.78	$ 4.12	$ 8.21	$ 6.16	$ 10.15	$ 6.60
2.3	4.0	3.3	3.0	2.4	2.5	3.2	2.7	2.1	8.7	2.2
14.9%	16.4%	20.2%	11.5%	22.2%	29.7%	24.0%	16.5%	11.8%	19.6%	15.3%
38.4%	44.5%	33.9%	22.7%	31.0%	49.0%	55.5%	24.2%	24.8%	43.4%	37.0%

sales of all international operations of the company, including direct exports from this country, amounted to $49.6 million or 27% of total sales. For the year 1957, total sales amounted to $186.9 million, an increase of 8% over 1956, and about double the volume of 1950, prior to the Sharp & Dohme merger. For the year 1957, earnings increased to $2.21 per share from $1.92 in 1956. The indicated annual dividende rate is $1.40 per share, including a 20 per cent extra paid last December. At the current price of about 48, the yield is only 2.9%. The stock customarily sells at a higher price-earnings ratio and lower yield than most drug issues. The outlook for further long-term growth is promising. However, an investor may wish to take part of his profits around the current price.

Abbott Laboratories manufactures about 650 ethical drug and fine chemical products, including vitamins, antibiotics, anesthetics, hypnotics and parenteral solutions. The company's output includes veterinary and agricultural drug products, and also radioisotopes. Last year, expenditures on research increased to 4.5% of sales, from 4% in 1956. Further expansion of research activities is planned. However, while these efforts have provided new products in the past, the company's earnings have failed to show a marked growth trend for a number of years. In 1957, sales amounted to $111.2 million, an increase of 15% over 1956. Earnings for last year were equivalent to $3.30 per share, as against $2.80 in 1956. The indicated annual dividend rate is $1.90 per share, including a 10 cent extra paid in January. At the current price of about 53, the stock yields 3.6%. The issue does not appear to offer above-average prospects for growth.

Schering Corporation was a relatively small drug company in 1952 when its stock was offered publicly by a banking group, following purchase of the company's assets from the Alien Property Custodian. The company has enjoyed a spectacular growth in sales and earnings since the introduction in 1955 of its so-called "Meti" drugs, new cortical hormones for treatment of arthritis. Sales have increased from $19.4 million in 1954 to $80.6 million in 1957, when foreign subsidiaries were consolidated. Also, operations of White Laboratories, acquired in September 1957, were included for the full year. White Laboratories produces ethical and proprietary drug products. Last year's sales volume was also aided by introduction of Trilafon, a new tranquilizer. While Schering produces other ethical drugs, cortical hormones represent by far the largest group of products. Competition in these products from other manufacturers has become particularly keen. Also, the company has been sued in connection with certain patents covering arthritis drugs. On the more favorable side, the company increased its research expenditures last year by 45% over 1956. In 1957, it spent $5.2 million on research or about 6.5% of sales. The company receives substantial royalty income from foreign licensees for its products. For the year 1957, earnings amounted to $3.80 per share, compared with $3.41 in 1956 on a comparative basis, after adjustment for the 2-for-1 stock split-up of October 1957. The annual dividend rate is $1.20 per share. It may be noted *(Please turn to page 106)*

FOR PROFIT AND INCOME

Cross-Currents

The favored drug group looks tired for the time being and might need some rest. Ditto for the cigarette stocks. At this writing coppers have backed off appreciably following a good rally which seemed excessive in relation to earnings prospects for at least an extended period to come. Groups performing unimpressively – in most cases for obvious reasons–include automobiles and auto parts, chemicals, coal, electrical equipment, machinery, radio-television, rail equipments, steel and tires. Probably largely for technical reasons, there is improved behavior at this time in aircrafts, movies, office equipment, domestic oils, shipping, sulphur and textiles. Responding to easing money rates and to relatively favorable prospects for earnings and dividends, most income-stock groups continue to meet adequate to good investment support at or close to their best 1957-1958 levels. They include baking, corn processors, dairy products, food store chains, electric utilities and natural gas distributors.

Market of Stocks

A partial list of better-grade stocks which are performing significantly better than the general market at this writing includes: Addressograph, American Bakeries, American Chicle, American Stores, Beneficial Finance, Best Foods, Brooklyn Union Gas, Colgate Palmolive, Columbia Gas, Heinz, Jewel Tea, Grand Union, Grant, Kresge, Iowa Power & Light, Marine Midland, National Dairy Products, Oklahoma Gas & Electric, Oklahoma Natural Gas, Owens-Illinois Glass, Peoples Gas, Safeway Stores, Scott Paper, Southern Company.

Speculative

In recent weeks, to a greater extent than in some time, selective strength has "fanned out" into a number of speculative stocks. Here is a partial list of issues which, although far down in virtually all cases from tops recorded in 1956-1957, or in earlier years, are faring better than the industrial average at this writing: American Seating, Bestwall Gypsum, Blaw Knox, Crown Cork, Georgia-Pacific Plywood, Celanese, General Instruments, Northwest Airlines, Piper Aircraft, Republic Aviation, Sunray Oil, and Worthington Corp.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
Boeing Airplane Co.	Year Dec. 31	$5.49	$4.63
General Cigar Co.	Year Dec. 31	5.62	4.14
National Tea Co.	Year Dec. 28	3.76	3.30
American Tobacco	Year Dec. 31	8.28	7.45
Cream of Wheat	Year Dec. 31	2.49	2.03
Lorillard (P.)	Year Dec. 31	3.78	1.34
Philco Corp.	Year Dec. 31	1.00	.05
Household Finance Corp.	Year Dec. 31	2.88	2.57
American Chicle Co.	Quar. Dec. 31	1.79	1.14
General Electric Co.	Year Dec. 31	2.84	2.46

Unpromising

Stock whose current behavior looks unpromising include: American Bank Note, American Shipping, Allied Products, Babcock & Wilcox, Bucyrus Erie, Chrysler, Dana Corp., Diamond Alkali, Dresser Industries, Glidden, Halliburton Oil Well Cementing, Monsanto Chemical, Solar Aircraft and Sperry Rand.

Shockers

For some time the market's general performance has been better than the news. The explanatory theory is that the impact of the business slump on corporate earnings and dividends has been largely, if not fully, allowed for in stock prices. That is probably a half truth—and no doubt the half truth was better founded at the October low for the industrial average than at the present level. It is conceded that the market was too high last July. Well, at this time the average is down only some 14% therefrom, which is neither a big correction of overvaluation nor a large allowance for lower earnings. Certainly in case after case it develops that individual stocks had not been adequately adjusted. Take just two recent examples: (1) Kelsey-Hayes Wheel, one of the better-situated auto parts makers, with Ford and General Motors the biggest outlets, reported over an 83% drop in profits to 27 cents a share for the fiscal quarter ended February 28. Since then to this writing the stock has fallen over 10% to a new low. (2) Or take the recent cut in the dividend of Anaconda Wire & Cable. It has been followed, up to this writing, by a fall of more than 14% in the price of the stock, which is again nearing its low after a 21% rally. There are a good many more instances of shockingly-poor profit reports and dividend cuts ahead.

Preview

Here are some lines in which first-quarter and second-quarter earnings reports are going to be poor in many cases: automobiles, auto parts, air transport, copper, machinery, metal fabricating, railroads, rail equipment and steel. Some of the automobile and most of the steel reports are going to be real shockers—shocking enough to test the stocks and probably put at least some of them to new lows. With no improvement possible before the fourth quarter, there is a question how long certain auto and steel companies will pay unearned dividends.

Fair To Good

First-quarter earnings either fairly close to, or above, last year's will be reported principally in such fields as confectionery, drugs, finance companies, banks, baking, food brands, food stores, dairy products, electric utilities, natural gas distributors, soft drinks, and tobaccos. At least moderate shrinkages, varying widely from company to company, will be the rule for reports in such lines as chemicals, coal, movies, office equipment, oils, paper, textiles and tires.

Machine Tools

Reports that machine tool orders of $22.8 million in February were 18% over the depressed January level and 23% above the abysmal December level should not delude anyone. They were down 60% from the skidding level of a year ago and down much further from the earlier peak. If you lose $80 out of $100, and then get back $5 of it, that is something like the picture of machine tool orders. As usual, they started down far ahead of general business activity. They may well have bottomed ahead of general business. But there is nothing in the bearish outlook for plant-equipment outlays to suggest a real uptrend for the machine tool industry. In our view, the stocks are not buys here. On the contrary, most of them look too high.

Defensive Stocks

There is nothing in the money-rate outlook, or in prospects for earnings and dividends, to suggest a basis for decline in investment-grade income stocks; and, indeed, some further advance seems likely. But a good deal of the earlier potential for capital gain is now gone; and the "pickings" for new buyers are fairly lean. As an example of the change, take a look at Corn Products. We recommended this stock here late last September at 30, yielding about 5.3% on a $1.60 dividend which we thought might go to $1.80 within no great time. It did go to $1.80 in two successive quarterly boosts of 10 cents each. The stock rose to a new high of 42¼ and is at 42¼ at this writing. The latter foots up to a capital gain of about 37%, which is certainly handsome in a fool-proof stock over about a six-month period. Buyers at 30 are getting a yield of 6% on their money. An argument against taking the profit is: where can you invest the money to better advantage with equal safety? We do not have a good enough answer to it at this time, so we say: stay with the stock. But we certainly cannot recommend it with confidence to new buyers on the present largely-reduced yield basis. The same goes for most of the many other income stocks recommended here at lower levels during the last six to eight months. To cite a few, gains range from 17% to 25% on such issues as Cincinnati Gas & Electric, Columbus & Southern, Ohio Edison, Duquesne Light, Illinois Power and Southwestern Public Service.

Fair

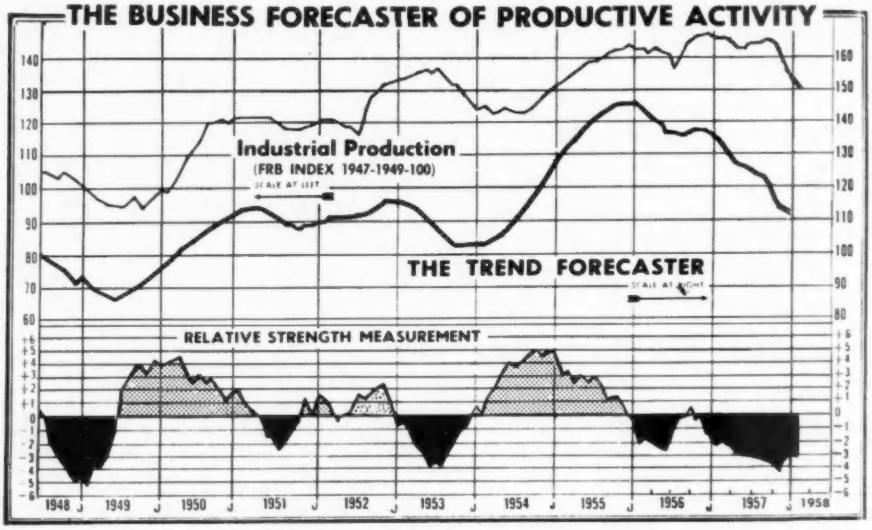
Recommended earlier at 34 and now around 39, Public Service of Indiana yields roughly 5.1% on a $2 dividend; but the potential yield is nearer 5.6%, since there is a good chance for a dividend boost to $2.20. Now at 71, Reynolds Tobacco "B" has been recommended at various lower levels. The current yield on a $3.60 dividend is less than 5.1%. Potential Yield is nearer 5.4%, allowing for a likely dividend increase to $3.80. Thus,

(*Please turn to page* 118)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1957	1956
National Lead Co.	Year Dec. 31	$4.64	$5.34
Lone Star Cement	Quar. Dec. 31	.34	.67
Allis-Chalmers Mfg.	Quar. Dec. 31	.35	.55
Bulova Watch	Quar. Dec. 31	.29	.70
Commercial Solvents	Year Dec. 31	.53	1.09
American Zinc, Lead & Smelt	Year Dec. 31	1.07	2.74
Dr. Pepper Co.	Year Dec. 31	.70	1.19
Burroughs Corp.	Year Dec. 31	1.67	2.35
Van Norman Industries	Year Dec. 31	.22	1.41
Crucible Steel Co. of America	Year Dec. 31	1.73	3.51

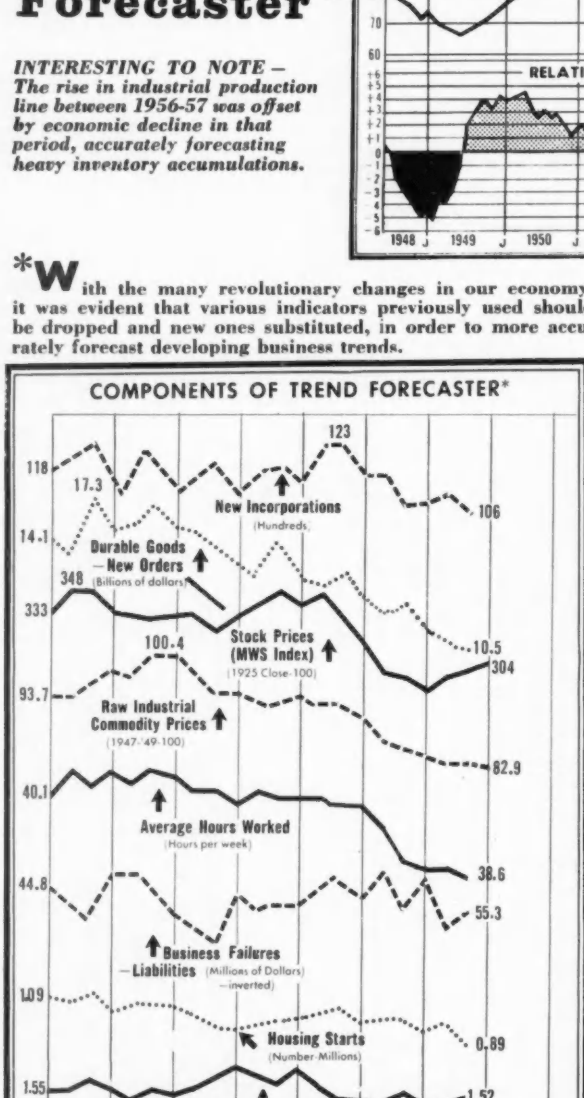
the Business A



Business Trend Forecaster*

INTERESTING TO NOTE – The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.

***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**



(*)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F. W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our new *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

Of the eight components entering into the **Trend Forecaster**, only two—nonresidential construction contracts and stock prices—appear to have been in a rising trend in the first quarter of the year. Three others—durable goods orders, raw industrial commodity prices, and average hours worked—were in a stage of persistent decline. The remaining three—new incorporations, business failures and housing starts—have behaved somewhat erratically, but their trend after statistical smoothing has been downward.

The **Relative Strength Measure** evidently rose somewhat in the first quarter, mainly as a result of the turnaround in stock prices, and has evidently climbed to about the minus 3 range, from the trough of minus 4.4 reached in November. There is no reason, however, to attribute much significance to this modest recovery; the level of the **Relative Strength Measure** is still in a substantial negative range. The most that can be said now is that the slight lessening of the pressure on this measure may presage a slowing of the rate of decline in general business conditions, and a testing of the hypothesis that the recession will end in an upswing by late in the year.

Analyst

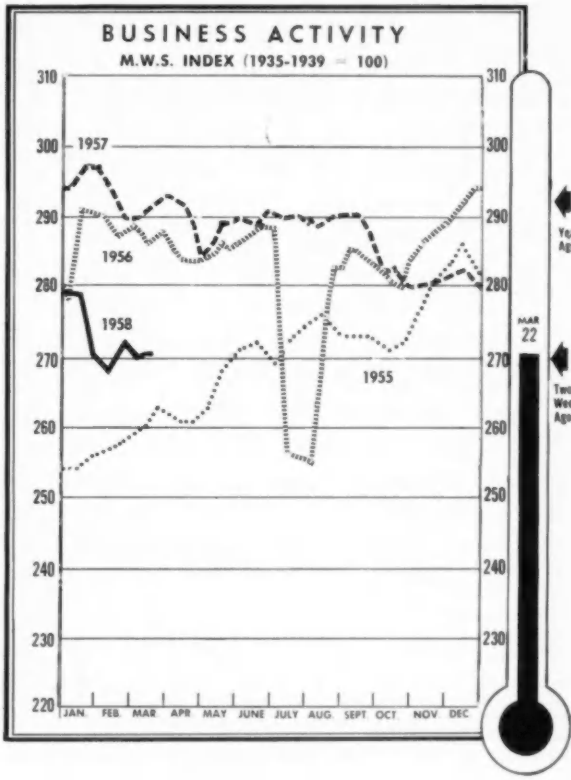
CONCLUSIONS IN BRIEF

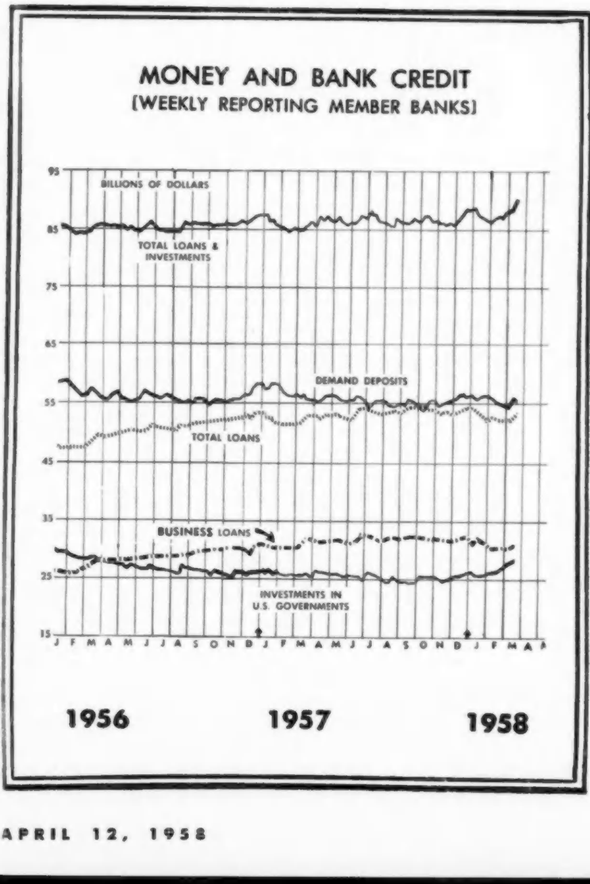
PRODUCTION—Hard-goods output rates still slipping, particularly in transportation equipment and capital goods. Output of construction items also being initially affected by declines in contract awards. Slow decline in total activity probable in second quarter.

TRADE—Outlook remains weak; not a further sharp drop, but further slow easing, spread about equally between durables and soft goods lines. Department store sales, already hard hit, unlikely to decline further in second-quarter.

MONEY & CREDIT—Supply of funds now ample, interest rate structure still declining. Short-term loan demand still being contracted by inventory cutting, and by long-term refinancing of short-term debt. Borrowing conditions becoming increasingly favorable in second quarter.

COMMODITIES—Churning around in the non-agricultural price structure has taken all the inflationary strength out of price averages. Many industrial prices now past their peaks, heading very slowly down across a broad front. Outlook: no sensational price break, but continuing weakness in second quarter.





As of early April, postwar Recession III has moved beyond its two predecessors. Industrial production has now fallen by about 12%, as compared with 10% in the peak-to-trough periods of the 1949 and 1954 adjustments.

One major difference between this and the two preceding recessions, accounting for much of the difference in degree noted above, has been the precipitous collapse of automobile demand. Indeed, if there is any outstanding characteristic of 1958 that will set it apart definitively from all other postwar years, it is the deplorable level to which the passenger car market has been reduced. It is, accordingly, of considerable importance to nail down the factors at work in this crucial decline.

In the first place, about two-thirds of all automobile sales involve the extension of credit. Apparently, the credit market has subsided about as fast as the cash market for new 1958 automobiles, suggesting that at long last the postwar growth of outstanding consumer instalment debt has reached a full maturity.

Secondly, there is much evidence that the two-car family, which is now a major source of the net growth in the total number of automobiles on the road, has been seduced away from the large, heavy, omnivorous American-type car to lighter, smaller, less expensive foreign cars. No figures are now available on the current rate of increase in the number of two-car families, but the 400,000-a-year rate of foreign car sales is doubtless a substantial percentage of the new two-car family growth.

Thirdly: with the remaining market very well supplied with cars, the so called "new-model" effect may well be more important than ever before. Style obsolescence this year is negligible—less, perhaps, than in any postwar year

(Please turn to following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Feb.	130	133	146
Durable Goods Mfr.	1947-'9-100	Feb.	137	143	164
Nondurable Goods Mfr.	1947-'9-100	Feb.	125	126	131
Mining	1947-'9-100	Feb.	119	121	132
RETAIL SALES*	$ Billions	Feb.	16.2	16.7	16.4
Durable Goods	$ Billions	Feb.	5.1	5.5	5.7
Nondurable Goods	$ Billions	Feb.	11.1	11.2	10.6
Dep't Store Sales	1947-'9-100	Feb.	126	131	136
MANUFACTURERS'					
New Orders—Total*	$ Billions	Jan.	24.2	25.1	28.9
Durable Goods	$ Billions	Jan.	10.6	11.4	14.2
Nondurable Goods	$ Billions	Jan.	13.6	13.7	14.8
Shipments*	$ Billions	Jan.	26.3	26.7	30.0
Durable Goods	$ Billions	Jan.	12.6	13.1	14.9
Nondurable Goods	$ Billions	Jan.	13.6	13.6	15.0
BUSINESS INVENTORIES, END MO.*	$ Billions	Jan.	90.0	90.7	89.3
Manufacturers'	$ Billions	Jan.	52.9	53.5	52.4
Wholesalers'	$ Billions	Jan.	12.6	12.7	12.9
Retailers'	$ Billions	Jan.	24.5	24.5	24.0
Dept. Store Stocks	1947-'9-100	Jan.	147	150	151
CONSTRUCTION TOTAL	$ Billions	Feb.	3.1	3.3	3.0
Private	$ Billions	Feb.	2.3	2.4	2.2
Residential	$ Billions	Feb.	1.1	1.1	1.0
All Other	$ Billions	Feb.	1.2	1.3	1.2
Housing Starts*—a	Thousands	Feb.	890	1,030	935
Contract Awards, Residential—b	$ Millions	Feb.	727	777	875
All Other—b	$ Millions	Feb.	1,226	1,289	1,286
EMPLOYMENT					
Total Civilian	Millions	Feb.	62.0	62.2	63.2
Non-Farm	Millions	Feb.	50.3	51.0	51.7
Government	Millions	Feb.	7.5	7.5	7.3
Trade	Millions	Feb.	11.3	11.5	11.2
Factory	Millions	Feb.	11.8	12.1	13.1
Hours Worked	Hours	Feb.	38.5	38.6	40.2
Hourly Earnings	Dollars	Feb.	2.10	2.10	2.05
Weekly Earnings	Dollars	Feb.	80.85	81.06	82.41
PERSONAL INCOME*	$ Billions	Feb.	342	344	339
Wages & Salaries	$ Billions	Feb.	235	237	236
Proprietors' Incomes	$ Billions	Feb.	51	51	51
Interest & Dividends	$ Billions	Feb.	32	32	31
Transfer Payments	$ Billions	Feb.	24	23	20
Farm Income	$ Billions	Feb.	16	16	16
CONSUMER PRICES	1947-'9-100	Feb.	122.5	122.3	118.7
Food	1947-'9-100	Feb.	118.7	118.2	113.6
Clothing	1947-'9-100	Feb.	106.8	106.9	106.1
Housing	1947-'9-100	Feb.	127.3	127.1	124.5
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Feb.	105.4	104.6	106.9
Bank Debits*—g	$ Billions	Feb.	79.5	84.4	84.5
Business Loans Outstanding—c	$ Billions	Feb.	30.4	30.5	30.3
Instalment Credit Extended*	$ Billions	Feb.	3.2	3.5	3.5
Instalment Credit Repaid*	$ Billions	Feb.	3.4	3.4	3.3
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Jan.	4.8	6.0	4.8
Budget Expenditures	$ Billions	Jan.	6.0	5.8	6.1
Defense Expenditures	$ Billions	Jan.	3.5	3.6	3.7
Surplus (Def) cum from 7/1	$ Billions	Jan.	(8.0)	(6.7)	(7.0)

PRESENT POSITION AND OUTLOOK

since 1952.

Finally, uncertainty of consumers with respect to their future incomes; the higher prices of new cars (including the prices of accessories which are virtually essential if trade-in value is to be protected) and a weak used car market (with reduced allowances for current trade-ins) have all played a role in the extraordinarily sharp drop in sales of domestic passenger cars. These conditions cannot change quickly and **little or no improvement in car demand should be expected in the second quarter.**

* * *

WHAT'S HAPPENING TO INVENTORIES—there is now some consolation, if not hope, in the fact that inventories are draining out of the manufacturing sector at a substantial rate—perhaps in the neighborhood of $6 billion a year. It is obvious that this rate of liquidation cannot continue for very long without bringing manufacturers, particularly in hard-goods lines, very nearly to the end of their stocks. However, its worth bearing in mind that selling rates have also declined, and also particularly in durable goods lines. As a result, inventory-sales *ratios* have, in general, gone up rather than down in the first six months of the recession. This is par for the recession course; it happened in both of the previous postwar recessions. But this time both sales and inventories are declining much more sharply: another indication that **the severity of the 1958 recession is greater than any experienced since 1938.**

* * *

THE STEEL RATE—this most watched of all industrial statistics has not been behaving very comfortingly. Steel operations struck a plateau of about 52% of capacity early in the new year, and many analysts were hopeful that in the second quarter it would start climbing back up into the sixties, and perhaps even the seventies. But as the second quarter begins, the production outlook is much less optimistic. Sharply reduced automobile production, and sinking markets for structurals, oil-country equipment, and plates for machinery and freight cars, now suggest that the steel rate will do well to stay close to the 50%-55% range during the second quarter.

* * *

PERSONAL INCOME STILL DECLINING—By February, the Department of Commerce's measure of personal income had

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1957 IV Quarter	1957 III Quarter	1957 II Quarter	1956 IV Quarter
GROSS NATIONAL PRODUCT	433.0(e)	439.0	434.3	426.0
Personal Consumption	282.5(e)	283.6	278.9	272.3
Private Domestic Invest.	61.0(e)	65.5	65.0	68.5
Net Foreign Investment	2.5(e)	3.2	3.5	2.4
Government Purchases	87.0(e)	86.7	86.9	82.8
Federal	50.0(e)	50.6	51.1	49.0
State & Local	37.0(e)	36.1	35.8	33.9
PERSONAL INCOME	344.5(e)	346.5	342.4	334.5
Tax & Nontax Payments	43.5(e)	43.6	42.9	40.5
Disposable Income	301.0(e)	302.9	299.5	294.0
Consumption Expenditures	282.5(e)	283.6	278.9	272.3
Personal Saving—d	18.5(e)	19.3	26.6	21.7
CORPORATE PRE-TAX PROFITS	40.3(e)	41.8	42.0	45.6
Corporate Taxes	20.5(e)	21.3	27.4	23.3
Corporate Net Profit	19.8(e)	20.5	20.5	22.3
Dividend Payments	11.7(e)	12.6	12.5	11.5
Retained Earnings	8.1(e)	7.9	8.0	10.8
PLANT & EQUIPMENT OUTLAYS	35.5(e)	37.8	37.0	36.5

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Mar. 22	270.4	270.4	292.7
MWS Index—per capita*	1935-'9-100	Mar. 22	203.3	203.3	224.5
Steel Production	% of Capacity	Mar. 30	50.6	52.5	92.4
Auto and Truck Production	Thousands	Mar. 29	120	105	165
Paperboard Production	Thousand Tons	Mar. 22	274	272	289
Paperboard New Orders	Thousand Tons	Mar. 22	240	250	257
Electric Power Output*	1947-'49-100	Mar. 22	228.1	229.4	226.5
Freight Carloadings	Thousand Cars	Mar. 22	533	539	686
Engineering Constr. Awards	$ Millions	Mar. 27	441	278	359
Department Store Sales	1947-'9-100	Mar. 22	109	106	113
Demand Deposits—c	$ Billions	Mar. 19	55.2	56.0	55.7
Business Failures	Number	Mar. 20	357	336	318

PRESENT POSITION AND OUTLOOK

fallen about $5.5 billion from its peak of last August. The decline in earned income had amounted to well over $7 billion, but transfer payments—including social security payments and unemployment compensation—had risen by about $2 billion, providing a significant offset.

Judging from trends in employment, hours, wages, and business profits, the decline in income has continued unabated in March and early April, and wage and salary incomes (the largest single component of personal income) are now apparently about $10 billion below their peak of last summer. This decline is somewhat sharper than was experienced in the 1953-1954 recession; it helps to explain some of the weakness in retail trade. A further explanation of the decline in trade is also provided by statistics on the attitudes and expectations of consumers; several such surveys conducted recently point to a much greater degree of concern and caution in consumers' personal outlooks.

* * *

HOUSING—The $1.9 billion housing bill that became law on April 1, provides for lower down payments on FHA-financed homes, a sizeable increase in Federal funds for the secondary mortgage market and a continuance of the VA housing program through mid-1960. Builders welcome this bill as at least a support to the housing market, and perhaps a significant expansionary influence.

*—Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d) Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958 Range High	1958 Range Low	1958 Mar. 21	1958 Mar. 28
300 Combined Average	305.9	283.9	305.9	304.6
4 Agricultural Implements	216.5	196.5	201.9	205.5
3 Air Cond. ('53 Cl.—100)	99.0	87.8	99.0	98.2
9 Aircraft ('27 Cl.—100)	1070.6	982.2	1011.7	1011.7
7 Airlines ('27 Cl.—100)	727.5	638.8	715.7	721.6
4 Aluminum ('53 Cl.—100)	309.1	253.4	309.1	286.3
6 Amusements	141.6	125.0	139.2	135.7
8 Automobile Accessories	313.2	301.8	310.3	304.6
6 Automobiles	44.2	41.1	42.3	41.9
4 Baking ('26 Cl.—100)	32.9	28.5	32.9	32.9
4 Business Machines	950.1	898.2	950.1	941.4
6 Chemicals	540.3	514.6	540.3	524.9
5 Coal Mining	20.1	18.4	19.4	19.6
4 Communications	92.4	85.7	91.6	90.7
9 Construction	122.1	107.5	121.1	118.0
7 Containers	810.3	707.3	789.7	810.3H
7 Copper Mining	223.0	184.6	223.0	212.0
2 Dairy Products	128.2	115.6	127.1	128.2H
6 Department Stores	88.6	78.9	87.1	88.6H
5 Drugs-Eth. ('53 Cl.—100)	275.6	217.2	275.6	271.0
6 Elec. Eqp. ('53 Cl.—100)	207.2	199.6	203.4	203.4
2 Finance Companies	635.7	568.8	630.1	624.5
6 Food Brands	293.1	255.5	285.6	293.1H
3 Food Stores	215.0	182.2	215.0	211.4

(Nov. 14, 1936 Cl.—100)	1958 Range High	1958 Range Low	1958 Mar. 21	1958 Mar. 28
100 High Priced Stocks	203.1	189.7	203.1	202.2
100 Low Priced Stocks	362.5	334.7	362.5	361.7
5 Gold Mining	685.0	530.5	654.1	659.2
4 Investment Trusts	155.4	144.4	151.3	151.3
3 Liquor ('27 Cl.—100)	1029.8	913.4	1029.8	1003.0
8 Machinery	374.7	347.2	354.1	357.6
3 Mail Order	174.4	143.3	173.1	170.4
4 Meat Packing	146.8	123.6	143.5	140.2
5 Metal Fabr. ('53 Cl.—100)	161.1	142.2	153.0	150.3
9 Metals, Miscellaneous	305.2	276.3	302.6	292.0
4 Paper	900.7	841.8	875.5	875.5
22 Petroleum	687.6	629.7	674.7	687.6H
21 Public Utilities	279.4	258.9	279.4	279.4
7 Railroad Equipment	64.7	59.2	64.1	63.6
20 Railroads	47.1	43.0	45.9	45.0
3 Soft Drinks	524.3	445.6	519.9	524.3H
12 Steel & Iron	273.3	249.3	266.1	263.7
4 Sugar	109.7	103.7	105.7	105.7
2 Sulphur	651.0	543.4	629.5	651.0H
10 Television ('27 Cl.—100)	32.9	28.8	31.8	32.9H
5 Textiles	117.7	106.9	116.7	116.7
3 Tires & Rubber	160.9	147.0	150.1	148.5
5 Tobacco	130.1	110.9	130.1	129.0
2 Variety Stores	265.6	239.3	265.6	265.6
17 Unclassif'd ('49 Cl.—100)	157.8	145.4	157.8	157.8

H—New High for 1957-1958.

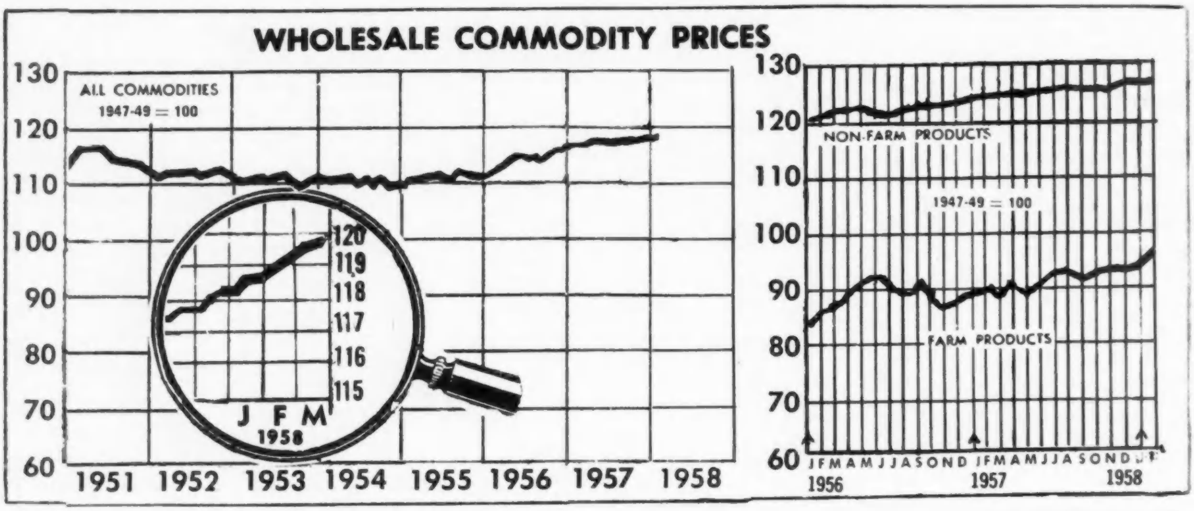
Trend of Commodities

SPOT MARKETS—Sensitive commodities turned downward in the two weeks ending March 28 and the Bureau of Labor Statistics' index of 22 such commodities fell 0.6%, to close at 85.2, not far from the year's low of 84.4, reached in December. The decline occurred despite another gain for foodstuffs which advanced 1.0%. This was over-shadowed by weakness in the raw industrial materials component, which lost 1.5% and hit a new low since 1954.

The continuing downtrend in industrial raw materials still fails to find reflection in comprehensive price indexes of finished goods, which remain near all-time peaks. Although some hidden price concessions (which do not show up in the indexes) are being made, they are not wide-spread enough to spark an upturn in demand.

FUTURES MARKETS—Futures prices were decidedly mixed in the two weeks ending March 28. Among raw industrial materials, hides, rubber and wool tops declined while copper and cotton were higher. In foods, wheat was down but cocoa and coffee strengthened.

Wheat futures were heavy during the period under review. The May option gave up 4 cents to close at 217¼. Congressional legislation to freeze 1958 wheat supports at the 1957 level had little effect as the President's veto was expectd. At one point last month, the price of cash wheat exceeded the effective support level, attracting some redemptions of wheat in the loan. However, it is still uncertain as to whether the withdrawals were sufficient to avert a shortage in supplies of "free" wheat.



BLS PRICE INDEXES 1947-49—100	Date	Latest Date	2 Wks. Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Mar. 25	119.8	119.6	116.9	60.2
Farm Products	Mar. 25	100.4	100.1	88.8	51.0
Non-Farm Products	Mar. 25	125.9	125.9	125.4	67.0
22 Basic Commodities	Mar. 28	85.2	85.7	88.7	53.0
9 Foods	Mar. 28	90.2	89.3	81.1	46.5
13 Raw Ind'l. Materials	Mar. 28	81.8	83.1	94.3	58.3
5 Metals	Mar. 28	83.6	85.4	110.1	54.6
4 Textiles	Mar. 28	76.1	76.9	83.0	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS
1923-1925 AVERAGE—100

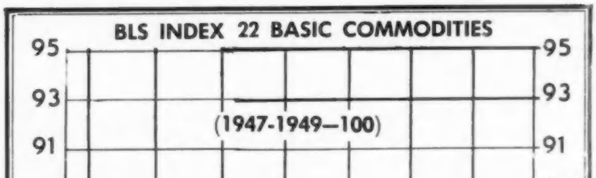
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1958	1957	1953	1951	1945	1941
High of Year	150.2	166.3	162.2	215.4	98.9	85.7
Low of Year	148.4	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX

12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	158.2	163.4	166.5	214.5	106.4	84.6
Low of Year	154.1	153.8	166.8	189.4	105.9	84.1
Close of Year		156.5	147.9	176.4	96.7	74.3



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities at* reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Borg-Warner Corporation

"I am a regular subscriber to your magazine and would like to receive some recent information in regard to Borg Warner Corp."
B.D., Dayton, Ohio

Borg-Warner Corp. is broadly diversified with manufacturing interests mainly in air conditioning, building equipment and materials, appliances, automotive products, petroleum equipment and services, also makes utility and steel products, etc.

Borg-Warner Corp. had record sales and only slightly lower earnings in 1957. Sales volume in 1957 totalled $608,514,099, representing an increase of 1.6% over 1956 sales of $598,695,774. Net income last year amounted to $34,076,578, equal to $3.81 a share, compared with $35,841,952, equal to $4.01 a share in 1956.

Working capital as of December 31, 1957 totalled $190,152,213 against $182,465,707 as of the close of 1956. Net worth at the end of last year amounted to $304,772,129 against $286,528,391 at the close of 1956.

The reduction in earnings last year was in common with other industries due to the highly competitive situation which has developed in numerous areas of production and sales. This severe competition has been particularly evident in some of the major industries with which Borg-Warner is identified. A significant contributing factor to today's increasing competition is industry's excess productive capacity. Many companies are seeking to maintain a high volume despite a recession in customer demand, resulting in the creation of unrealistic competitive prices that have adversely affected profit margins.

The company's substantial reserve of working capital will permit it to continue an accelerated program of expansion and diversification of existing facilities and make possible the entry into new manufacturing and marketing fields.

The corporation continued a expand from within and without during 1957. Outside acquisitions included one of Australia's largest automotive parts producers, and Lehigh Manufacturing Co.'s automobile air conditioning compressor line and related manufacturing facilities. In addition, manufacturing operations began last year in a new factory in Brazil. This plant which is an affiliate of Borg-Warner International Corp. is expected to become Brazil's largest source of automotive clutches.

Internal growth was also substantial, including a $10 million chemical plant built by the Marbon Chemical Division at Washington, West Virginia. All told, capital outlay for new plants and equipment exceeded $20 million last year, including approximately $3 million for retooling the Norge Division's new refrigerator-freezer line for 1958.

Early this year the quarterly dividend was reduced from 60 cents to 50 cents per share.

The company has an experienced and able management and is developing new products that offer good long term promise.

Pittsburgh Consolidation Coal Co.

"I have recently subscribed to your publication and find it very informative. I would appreciate receiving data on Pittsburgh Consolidation Coal Co."
E.N., Arlington, Va.

Pittsburgh Consolidation Coal Co. is the largest commercial producer of bituminous coal, reserves are large and were increased through the acquisition of Pocahontas Fuel Co. on December 31, 1956. Company has a strong trade position and operations are very efficient.

Net income from operations in 1957 were $26,673,000 or $2.90 per share, compared with $21,972,000 or $2.39 per share in 1956. Credits from disposal of mine properties in 1956 amounted to $15,474,000.

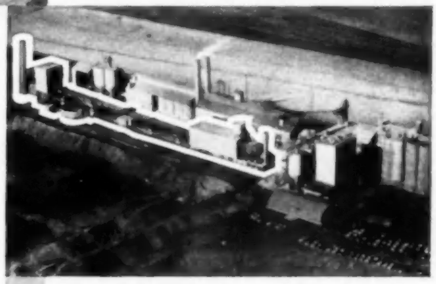
The 21% gain in earnings was attributed to the effects of the company's capital improvement program and more efficient operation of its modern mining equipment, as well as to the excellent labor relations within the industry.

The company is convinced that the bituminous coal industry will share in the country's progress, and in fact play an important part in furthering it. The last two years have witnessed large capital expenditures by the company for new production and transportation facilities. Capital expenditures in 1957 mounted to $39,627,000, compared with a record outlay of $42,388,000 during 1956. Partly as a result of the heavy capital expenditures, working capital decreased from $108 mil-

(*Please turn to page* 120)

Over-all operating costs of our Rockmart, Georgia, plant will be reduced 20% by the new raw and finish grinding installation and raw material handling facilities indicated here.

New kiln installed at our Nashville, Tennessee, plant reduces fuel consumption about 35%. Other cost-saving improvements are being completed here.



1957

The Marquette year

Emphasis shifts from expansion to improved operating efficiency

Now that new cement producing capacity has overtaken present and near-future demand in both our marketing area and the nation, we are accenting plant modernization to raise operating efficiency and lower production costs. In 1957 we replaced older sections in two plants and this year a major improvement program has been undertaken at another plant.

Cement consumption in our 18-state market dropped 7% in 1957, in line with the countrywide trend. Nevertheless, both our shipments and dollar sales were up and net income was substantial. For 1958 we are hopeful that increased slab laying on the nation's new highways may serve to regain the volume loss suffered by the industry last year.

Large scale modernization

1958 authorizations for capital expenditures

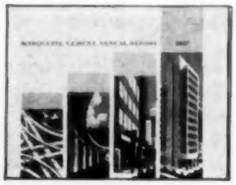
Rockmart, Ga., plant	$3,702,190
Nashville, Tenn., plant (to complete)	1,008,670
Superior, Ohio (stripping shovel)	1,345,000
Cape Girardeau, Mo., plant	235,000
Replacements and miscellaneous improvements at all locations	1,555,400
New raw material deposits	179,670
	$8,025,930
Estimated portion to be expended in 1958	$5,676,190

MARQUETTE Cement
MANUFACTURING COMPANY

Operating ten cement producing plants in Illinois, Iowa, Ohio, Missouri, Tennessee, Mississippi, Georgia and Wisconsin

Annual capacity 16,500,000 barrels

We will be pleased to send you a copy of our 1957 Annual Report on request



Financial Highlights

	1957	1956
Net sales	$47,750,482	$43,558,363
Net income*	7,306,933	7,376,467
Earned per common share	2.71	2.74
Common shares	2,625,000	2,625,000
Common dividends		
Total for the year	1.40	1.30
Annual rate at year end	1.40	1.40

**Not including possible tax savings from expanded depletion allowances.*

Executive Offices

20 North Wacker Drive

Chicago 6, Illinois

Chemicals Show High Diversity Through 1958

(*Continued from page* 89)

pharmaceuticals and other drugs. In addition Lederle is one of the nation's foremost research organizations, and recently caused a mild sensation with a new drug that promises great benefits to leukemia victims.

Formica Corp., another recent addition to the Cyanamid fold is a major supplier of this new-type building material—and in addition Cyanamid produces a broad line of synthetic fibers, adhesives, surgical products and pigments, as supplements to its basic chemical products.

Reflecting this diversification and its excellent management American Cyanamid had another successful year in 1957. Earnings advanced for the fourth consecutive year, rising to $2.42 per share from $2.11 the year before. Dividends, though traditionally small rose to $1.60 per share from $137½ in 1956. Finances remained particularly strong, although cash was less than in the previous year, owing to some $85 million in capital expenditures during the year. Actual cash earnings amounted to over $5.00 per share.

The basic stability of its markets, and the excellent growth potential of new products indicates another satisfactory year for Cyanamid in 1958.

Du Pont, one of the country's largest industrial organizations also provides an outstanding example of success through new product development. Over the years the company's record is almost without parallel, and there is every indication that the process will continue.

For one thing, du Pont is one of the few American corporations that encourages basic scientific research on a large scale. It is expensive, adding up to $15 million in 1957, but the discovery of only one item like nylon is well worth years of less profitable outlays.

In 1957 du Pont set a new sales record, just barely missing the $2 billion mark. The sales advance of 4.3 per cent was the smallest in several years, but with its traditionally efficient operations that keep profit margins above 20 per cent, earnings also advanced modestly to $8.48 per share from $8.19 in 1956. In both of these years $2.55 in earnings came from the General Motors investment.

In 1957, du Pont spent $220 million on additions to its plants and will probably spend at least that amount this year. Six new plants for the production of "Lucite", orlon, silicons and cellophane are already under construction.

Du Pont's wide diversification and its dominance in several important chemical fields assures its continued growth over the years. For 1958, however, weakness in synthetic fiber markets and slower sales to the auto industry may bring a temporary halt to the upward sales and earnings trend. Moderately lower results can be expected.

Union Carbide, the nation's second largest chemical company demonstrated last year that large companies are also having difficulties with profit margins. Sales advanced over 5 per cent for the year despite a prolonged strike at the Linde Air Products Division, but increased costs and the debilitating effects of the strike cut profit margins enough to drop earnings by almost 7 per cent. On a per share basis, Carbide realized $4.45 in 1957 compared with $4.86 a year earlier.

Reflecting its widescale research programs and a carefully screened acquisition program, Carbide's product lines read like a catalog of the chemical industry, ranging all the way from basic chemicals through plastics, industrial gases and nuclear products. With such broad coverage, sales should advance further in 1958, and peaceful labor conditions at Linde should help matters. Nevertheless, basic chemical sales will probably continue weak and increased competition can be expected for some of the company's plastics lines. As a result, profit margins will continue to narrow, especially if the present signs of overcapacity continue for a number of plastic products. Earnings moderately below the 1957 figures are probable, making the coverage on the $3.60 dividend narrow. The company's excellent financial position, however, should protect the current dividend rate. As stockholders know however, Carbide usually pays out a high percentage of its earnings in dividends, and has, in fact, averaged over 70 per cent since World War I days.

Specialized Companies Have Clouded Outlook

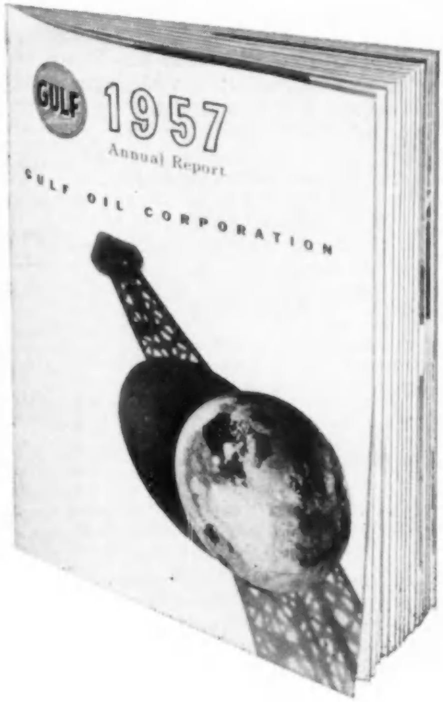
In general the narrower the sales base, the more acutely chemical companies are feeling the recession. Thus a whole raft of companies in petrochemicals, sulphur and other basic industrial chemicals had fairly sharp earnings declines in 1957 and can expect more of the same in the current year. **Pittsburgh Coke's** per share net dropped to $1.98 from $3.03 in 1956; **Koppers** receded to $3.86 per share after netting over $5.00 the year before; **Commercial Solvents**, which is trying hard to get a diversification program underway had another declining year, this time to 53¢, necessitating the halving of its dividend; and **Texas Gulf Sulphur**, in the throes of a price war with Mexican producers also cut its dividend in half after earnings dropped to $1.75 from $2.81 the previous year. **Freeport Sulphur**, on the other hand, which has diversified into metals and oil production and chemical derivatives from these new fields, withstood the sulphur "break" fairly well. Its earnings eased to $5.19 per share but compared with the $5.35 earned in 1956, last year's results were not out of line with other important chemical companies.

On the other hand, the nation's agricultural chemical producers, who for a while had their own private recession were among the better performers last year. **International Minerals & Chemical** still derives almost 70 per cent of its revenues from agricultural chemicals despite substantial progress along the diversification trail. Sales were almost 10 per cent higher in the 1957 fiscal year, and in the absence of strikes profit margins widened enough to bring about a 30 per cent rise in net to $2.81 (from operations) against $2.14 in 1956. Last year a non-recurring profit raised net by another 31¢ a share. Sales have held up in the current year, and earnings approximating 1957 figures seem likely.

Other Major Companies

Dow Chemical, a company with an exceptionally fine growth record appears to have levelled off for the present. Sales are moving

highlights from GULF OIL'S ANNUAL REPORT



1957 was a year of continued growth which has characterized Gulf Oil's history, especially in recent years.

Worldwide, major activities showed healthy gains which added substantially to the Company's financial growth and stability.

At year end, Gulf's assets topped $3.2 billion and net income exceeded $354 million—increasing from over $2.8 billion and $282 million, respectively, in the year.

Salient figures from our 1957 Report are presented here.

☆ ☆

CONSOLIDATED FINANCIAL DATA

	1957	1956
Net Income	**$ 354,284,000***	$ 282,658,000
Net Income Per Share *(based on shares at end of 1957)*	**$11.38***	$ 9.08
Cash Dividends Paid	**$ 73,823,000**	$ 69,244,000
Cash Dividends Paid Per Share	**$ 2.50**	$ 2.50
Stock Dividends Paid	**5%**	5%
Total Assets	**$3,240,571,000**	$2,872,270,000
Sales and Other Operating Revenues	**$2,730,085,000**	$2,339,715,000
Capital Expenditures	**$ 546,453,000**	$ 465,950,000
Depreciation, Depletion, etc.	**$ 252,265,000**	$ 217,185,000

**Includes profit of somewhat less than $1 per share from sale of Texas Gulf Sulphur Company stock*

OPERATIONS DATA—DAILY AVERAGE BARRELS

(Includes Gulf's equity in companies less than 100% owned)

	1957	1956
Gross Crude Oil, Condensate, & Natural Gas Liquids Produced	**1,253,775**	1,087,097
Net Crude Oil, Condensate, & Natural Gas Liquids Produced	**1,151,438**	997,452
Crude Oil Processed at Refineries	**682,215**	667,874
Refined Products Sold	**747,198**	698,277
Natural Gas Liquids Sold	**106,301**	111,877

(For a copy of Gulf's Annual Report, write to Room 1300, P. O. Box 1166, Pittsburgh 30, Pa.)

☆ ☆

up slowly, especially since the acquisition of Dobeckmun in August 1957, but profit margins have failed to improve. Part of the difficulty is the weakened price structure for styrene and magnesium, but basically it is start-up expenses from the companies extensive new plant additions that are hurting current operating results. In the longer run however, the new facilities should contribute importantly to earnings. The present expansion program is one of the largest in the country in relation to the company's size and should stand Dow in good stead over time. Cash earnings of over $5.00 per share compared actual earnings of $2.25, indicate the extent to which the program is holding down reported earnings.

Investment Summary

Chemicals companies, in general, have been less severely affected by the current recession than other industrial groups. Nevertheless, several corporations have experienced a noticeable easing in their business since the start of the fourth quarter of 1957 —and almost all companies in the group are having some difficulty maintaining their profit margins.

All in all, the companies turning out basic industrial chemicals are feeling the most severe pinch, but others, notably the synthetic fiber producers are also facing some difficulties. The strongest situated are those companies with wide diversification, especially in the plastics and new exotic metals fields. But even in these fields, competition is keen enough to hold earnings betterment down to modest proportions at best. In a particularly favored position right now are the explosives manufacturers such as **Hercules Powder**, especially if road building and other public projects such as dams and harbors should be pushed by the federal government.

In plastics, some troubles are arising from over-capacity as scores of new companies are attracted into the field each year. Nevertheless, the real growth potential in plastics is not in the earnings to be derived from existing products, but from the bright promise of new lines through extensive research.

In all, then, 1958 appears to be shaping up as a static year for the chemical industry. Sales will grow, but not as much as in recent years, and earnings, except for the most favorably situated corporations, will recede moderately. At their still high price earnings ratios and low yields, few of the stock are attractive for purchase now. Investment positions in the better grade companies should be held, however.

—END

Assessing 1958 Possibilities for the Drug Companies

(Continued from page 93)

that the adjusted price of the stock advanced from a low of 24⅛ to a high of 48¼ last year, in part due to purchase of a block of stock in the open market by Revlon, Inc. At the current price of about 43, this stock is selling at a fairly moderate price-earnings ratio, although the yield is only 2.8%. The issue offers the prospect of further growth, although not without an element of risk.

In the accompanying table, we have listed leading drug companies with statistics on earnings, dividends and prices, as well as brief comments on each company.

While we have favored the drug stocks for some time, it is well to remember that most of these issues have advanced sharply in price in the past year. Therefore, investors should exercise caution in the selection of new commitments and should time new purchases carefully. —END

A Contrast in Performance Olin Mathieson—Gen. Tire

(Continued from page 81)

paper, lumber, and some chemicals, which could not be completely offset by the gain achieved by the Squibb drug and pharmaceuticals division and other divisions.

Net income per share was the lowest since 1949, and was about 8% below 1956, even if we eliminate from the earlier year the non-recurring profit realized at that time on the sale of timber lands and other assets. In the fourth quarter indicated earnings from operations (derived by deducting results for the first nine months from those for the full year) were down about 13% from the same period a year earlier, but may have been affected by year-end accounting adjustments.

General Tire enjoyed an increase of 8% in volume in the fiscal year ended November 30, 1957 over the previous 12 months, although sales of the final three months fell below those of the same period of 1956. Net income gained about 4%, but because of the conversion of almost $6.0 million of preferred into common during the year, per share earnings were about 5% below those of the preceding year.

So far as the individual stockholder is concerned, then, General Tire did better by him in 1957 than did Olin Mathieson, in that General Tire's per share income declined less than half as much (10 cents a share vs. 24 cents a share) as did that of Olin Mathieson, but the difference in percentage change was not great—5% for General Tire; 8% for Olin Mathieson.

The stock of General Tire & Rubber turned in much the more creditable price performance in the last 13 months. When our previous article on the two companies was published in March 1957, General Tire stock was selling for a price equivalent, after adjustment for the subsequent stock split and stock dividend, to about 22 on the present stock. The issue rose steadily with the rest of the market to the year's high of about 32 in July, then fell back in September and October to about the March level. Marked recovery in the last two months of 1957 brought the issue to 30 at the close of the year. Since then General Tire stock has exhibited a slowly declining trend, and when this was written was selling at about 28, which represented a net advance of a little more than 25% in the thirteen months.

Olin Mathieson stock followed a price pattern similar to that of General Tire between March and July 1957, with almost the same percentage gain from around 44 to the year's high of about 62 in July. In each subsequent month, however, quotations sank lower and lower, and the issue ended the year near its low of about 38. In 1958 Olin Mathieson stock was fairly stable until about mid-March. At the time this was written, however, the stock had just made a low for the year to date around 36, or about 18% below the

STANDARD OIL COMPANY (INDIANA)

and Subsidiaries Report

Earnings Steady in 1957; Dividends Paid for 64th Consecutive Year; Income Tops $2 Billion for First Time

PRODUCTION of crude oil and natural gas liquids and of natural gas reached record totals in 1957 despite the sharp decline in domestic crude oil production when the Suez crisis ended. Our domestic production for the year was up 4.3 per cent, substantially more than the domestic industry gain of about 0.3 per cent. A number of concessions were acquired in Venezuela. Our wildcat drilling program was expanded. Our success ratio in unproved areas was considerably above the industry average. Despite record production we were able to increase our proved reserves of crude oil and natural gas liquids, and of natural gas in a year when industry reserves of crude and natural gas liquids declined.

RESEARCH brought about important advances in 1957. The Ultraforming process was improved. Octane needs can now be met with a catalyst containing only half as much platinum as was previously required. We improved our Isomate process for raising the octane number of the lighter portions of gasoline. We perfected a jet fuel that will meet the needs of future types of supersonic airplanes. Research on greases led to a new line of industrial greases far superior to any on the market. In the oil finding field, advances were made in the use of high-frequency recording techniques. Royalty income from licensing our processes was the highest in many years.

MANUFACTURING. Greater efficiency, cost control and quality improvement were of primary concern in 1957. Our current objective is to replace older and less efficient units where needed with larger, better, and more automated facilities. More economical operations and better products will result.

MARKETING. The introduction of Gold Crown super-premium gasoline and improved Red Crown throughout the parent company territory was a great success, helping the parent company to gain substantially in total volume of gasoline sold. Consolidated company results for the year, however, showed practically no change in sales volume of all products. This was about the same result as for the industry as a whole.

NET EARNINGS of our consolidated Company in 1957 were $151,509,000, as compared with $149,432,000 in 1956. The 1957 results were reduced $5,886,000 by a special charge resulting from abandonment of our synthetic gasoline and chemicals plant at Brownsville, Texas. Per share earnings, based on an average of 35,520,999 shares outstanding during the year, were $4.27. This compares with $4.33 a share in 1956, when the average number of outstanding shares was 34,487,352. Total income for the year was $2,029,689,000, the first time in our history it has passed the $2 billion mark. This was 6.2 per cent greater than in 1956, an increase due largely to higher revenues from sale of crude oil and refined products.

DIVIDENDS. In line with our policy of paying dividends approximately equal to one-half of earnings, regular cash dividends were supplemented in the fourth quarter with a special dividend in Standard Oil Company (New Jersey) stock. Dividends paid, including the market value on date of distribution of the special fourth-quarter dividend in Standard Oil Company (New Jersey) stock, amounted to $2.11 per share. Dividends were paid in 1957 for the 64th consecutive year.

CAPITAL EXPENDITURES AND BORROWINGS. Our capital expenditures for the year increased substantially to $340,274,000. The increase was due to the purchase of concessions costing about $50,000,000 in Venezuela. These heavy expenditures during 1957 involved no increase in net borrowings, which at 12 per cent represent the lowest ratio to total assets since 1946.

EMPLOYEES. Our continuing efforts to control costs by making more effective use of our manpower led us in 1957 to reorganize parent company sales activities and to streamline various other parent company and affiliate functions. Thousands of our employees are Standard Oil stockholders. The loyal service of our employees is one of the main factors in our continued progress.

STOCKHOLDERS at year end numbered 148,400, an increase of 5,200 over the year before. Our stock continues to be one of the 50 most widely held by the nation's leading investment trusts. In number of stockholders, we rank eleventh among all U. S. industrial corporations and fourth among U. S. oil companies.

CONSOLIDATED STATEMENT OF EARNINGS

For the Years 1957 and 1956

	1957	1956
INCOME:		
Sales and operating revenues	$2,010,114,857	$1,890,227,573
Dividends, interest, and other income	19,574,222	21,312,568
Total income	$2,029,689,079	$1,911,540,141
DEDUCTIONS:		
Purchased crude oil, petroleum products, and other merchandise	$ 959,164,342	$ 909,613,641
Operating, selling, and administrative expenses	654,361,663	597,244,936
State, local and miscellaneous taxes (not including taxes amounting to $361,380,000 in 1957 and $326,779,000 in 1956 collected from customers for government agencies)	59,320,487	52,652,573
Depreciation, and amortization of emergency facilities	104,164,438	93,943,392
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	59,538,133	62,119,970
Interest expense	9,397,389	9,368,824
Federal taxes on income	26,348,000	36,478,000
Minority interest in net earnings of subsidiaries	—	687,095
Total deductions	$1,872,294,452	$1,762,108,431
Net earnings before special charge	$ 157,394,627	$ 149,431,710
Special charge:		
Loss on abandonment of synthetic gasoline and chemicals plant after applicable tax credit	5,885,602	—
NET EARNINGS	$ 151,509,025	$ 149,431,710

Copies of the 1957 Annual Report are available on request.
Write Standard Oil Company, 910 S. Michigan Avenue, Chicago 80, Illinois.

THE STORY IN FIGURES

	1957	1956
FINANCIAL:		
Total income	$2,030,000,000	1,912,000,000
Net earnings	$ 151,510,000	149,430,000
Net earnings per average outstanding share	$ 4.27	4.33
Dividends paid†	$ 56,300,000	55,360,000
Dividends paid per share†	$ 2.110	2.307
Earnings retained in the business	$ 95,210,000	94,070,000
Capital expenditures	$ 340,300,000	291,900,000
Total assets	$2,535,000,000	2,425,000,000
Net worth	$2,012,000,000	1,900,000,000
Book value per share	$ 56.26	53.71
PRODUCTION:		
Crude oil and natural gas liquids, barrels per day, net	307,500	294,855
Natural gas, thousand cubic feet per day, net	1,298,000	1,154,000
Oil wells owned, net (year end)	10,722	10,451
Gas wells owned, net (year end)	2,085	1,973
MANUFACTURING:		
Crude oil and natural gas liquids processed, barrels per day	648,076	642,343
Crude running capacity, barrels per day (year end)	714,000	703,500
MARKETING:		
Refined products sold, barrels per day	662,676	664,046
Retail outlets served	29,870	29,890
Natural gas sold, thousand cubic feet per day	1,391,315	1,264,370
Crude oil sold, barrels per day	341,594	336,930
TRANSPORTATION:		
Pipelines built, miles	175	250
Pipelines owned, miles (year end)	17,370	17,480
Pipeline traffic, million barrel miles	156,500	156,400
Tanker and barge traffic, million barrel miles	86,120	94,870
PEOPLE:		
Stockholders (year end)	148,400	143,200
Employees (year end)	49,680	52,010
Wages and benefits	$ 370,100,000	358,600,000

† "Dividends paid" include the value *on this Company's books* of the Standard Oil Company (New Jersey) stock distributed as a dividend. "Dividends paid per share" include the *market* value of the Jersey stock on date of distribution.

level of thirteen months earlier.

Clearly, a difference in earnings results of only two percentage points in a year is hardly sufficient to account for one stock advancing 25% while the other declined 18%. There were a number of other developments which probably contributed to the better price performance of General Tire in the period under review.

One was obviously dividend action and prospects. Olin Mathieson is still paying the 50 cents a share quarterly it was distributing a year ago, but earnings coverage of this rate has become so thin as to raise questions about its continuance. General Tire, on the other hand, is now paying 17½ cents a share quarterly compared with 16½ cents a share quarterly a year ago. While the increase is small in absolute amount, it is equivalent to a 6% gain; it is in the right direction; and the present rate is covered by an ample margin.

Perhaps more important from the point of view of stock prices is the fact that the General Tire stock was split, three-for-one in September 1957, and last month's cash distribution was supplemented with a 2% stock dividend. Neither of these actually adds anything to what stockholders had before, but stock splits and stock dividends usually result in higher prices for the stock to which they relate.

Varying Stakes in Missiles and Rockets

Military developments may also have attracted investors to General Tire stock in the last six months. The launching of the Soviet satellite, Sputnik, gave a new impetus to the already pronounced trend of U. S. military expenditures in the direction of missiles.

Aerojet-General, whose business is the production of propellants and components for missiles, is considerably more important to General Tire than are Reaction Motors and Marquardt Aircraft to Olin Mathieson. Aerojet-General is estimated to have contributed about a third of General Tire's consolidated earnings in the recent past. Aerojet-General is now the most completely integrated rocket and missile fuel company in the industry, supplying the power for the Bomarc, the Titan, and the Vanguard satellite. In addition, Aerojet-General makes parts for such well-known missiles as the Nike, the Regulus, the Tartar, the Sparrow, the Hawk, and the Hustler.

Olin Mathieson's work in the field of high-energy fuels is responsible currently for only about 2% of its volume, and no income is being realized from its investments in the two rocket and fuel makers. Thus the company is much less glamorous from the missile viewpoint.

New Products Give Edge to General Tire

General Tire has had the advantage, too, in the last year, of more success for its new and promising products. The company's twin-treaded "Dual 90" passenger car tire was a "first" without a competitive rival and gave General Tire's distributors such an advantage that the company captured a larger share of the replacement tire business than heretofore.

About the middle of last year General Tire announced that it would convert all of its facilities formerly used in the production of foam rubber to a newly-developed polyether-based urethane foam ("Polyfoam") of which President William O'Neill said: "The versatility of this new product, coupled with its incredible strength and durability will make all other cushioning materials as out-dated as feathers." It was reported that 'Polyfoam' could be made at half the cost of previous polysters, and that it weighs less

Income Data

	Net Sales	Income Tax (Millions)	Deprec. & Deplet.	Net Income	Net Profit Margin	Earnings Per Share
GENERAL TIRE & RUBBER						
1953	$205.3	$ 4.1	$ 3.8	$ 6.2	3.0%	$1.49
1954	216.9	2.7	4.6	4.5	2.0	.93
1955	295.7	10.0	5.7	9.7	3.2	2.56
1956	390.4	10.9	7.9	10.8	2.7	2.30
1957	421.1	8.0	10.4	11.3	2.6	2.12
OLIN MATHIESON CHEMICAL						
1953	$496.0	$42.9	$10.4[1]	$33.0	6.6%	$2.77
1954	502.4	30.4	18.9	38.0	7.5	3.11
1955	560.4	37.8	19.5	44.5	7.9	3.36
1956	598.1	34.3	23.4	44.7	7.4	3.38
1957	592.8	31.0	25.5	36.3	6.1	2.67

Balance Sheet Data

	General Tire & Rubber (11/30/57)	Olin Mathieson Chemical (12/31/57)
	(Millions)	
Long Term Debt (Stated Value)	$ 71.0	$307.7
Preferred Stock (Stated Value)	$ 24.8	$ 21.1
No. of Common Shares Outstanding (000)	4,664	13,272
Capitalization	$101.3	$405.2
Total Surplus	$ 85.6	$295.2
Cash and Marketable Securities	$ 10.2	$ 96.3
Inventories, Net	$ 62.2	$153.5
Receivables, Net	$ 77.0	$ 75.0
Current Assets	$149.4	$335.8
Current Liabilities	$ 70.0	$ 84.0
Net Working Capital	$ 79.4	$251.8
Current Ratio (C. A. to C. L.)	2.1	4.0
Net Property	$ 72.4	$370.5
Total Assets	$261.3	$792.3
Book Value Per Share	$ 19.44	$ 28.30
Recent Price of Common Stock	25	37
Price-Earnings Ratio	11.7	13.9
Indicated Dividend for 1958	$ .70[2]	$ 2.00
Dividend Yield	2.8%	5.4%

1—Mathieson Chemical only.
2—Plus stock.

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than half as much as foam rubber. Later, in the annual report, Mr. O'Neill wrote: "Industry analysts predict over 30 million pounds of urethane cushioning for furnishings will be used by 1960, and it is expected that General Tire's 'Polyfoam' division will dominate this expanding field."

The new product on which Olin Mathieson has placed most emphasis recently, primary aluminum, has in the last six months reached a condition of oversupply, and in the last month there has been price cutting. The company conceded, in its prospectus for the $40.0 million of convertible debentures, that its aluminum production facilities "will commence operations during a period when the supply of aluminum will exceed demand," but believes that through sales effort and the development of new uses for aluminum, Olin Mathieson will "acheve a satisfactory percentage of the existing market for the aluminum products to be manufactured by it." However, "the ability of the corporation to conduct its aluminum operations at a profit, and the relative profitability of such operations, will depend in large part on the success of the programs to create new demands for the white metal. In any event, initial operating losses will be incurred in connection with start-up of operations. The duration of this period cannot be measured accurately at this time."

General Tire Moving Ahead

On the basis of the performances of General Tire and Olin Mathieson, as reported in the foregoing paragraphs, it seems to us that General Tire & Rubber has won the second lap of what we think of as the race between the two companies.

Moreover, General Tire's leadership is buoyantly optimistic about the future, proudly claiming to be "the fastest growing tire company," and reminding stockholders of the undistributed and unconsolidated earnings of foreign subsidiaries (which in recent years have been equal to 77 cents to $1.47 a share).

Contrast this with Olin Mathieson's cautious generalizations: "It is difficult at this time to forecast results for the period immediately ahead. The corporation is engaged in several major American industries and is therefore affected by general economic conditions. . . ."

Investors who may be inclined to risk funds in the common stock of General Tire & Rubber Company on the basis of this favorable comparison should remember that despite its performance of the last few years, speculative features are involved because:

1. The most rapidly growing segment of the business, missile propellants and missile motors, depends on military orders which are notably subject to sudden and unpredictable changes.
2. Obligations senior to the common stock are large. The resulting leverage, which works in favor of the common stock when earnings are rising, can work against the junior issue if profits should decline.
3. Part of the earnings of recent years have been made possible by applying against income of RKO Teleradio Pictures operating losses of prior years and items charged against reserves previously provided. In time these will end.
4. The company's RKO Teleradio Pictures subsidiary is defendant, with other companies and networks in a suit brought by various song writers for damages of $150.0 million. RKO is also a defendant in anti-trust suits, and is currently involved in a dispute with its principal distributor, Universal Pictures, which is claiming additional distribution fees under its contract. Counsel for RKO, however, believes that any liabilities which may result from these actions will not be material in relation to the company's assets and will not appreciably affect its financial position.

Finally, President O'Neill, whose statements earlier this year were highly optimistic, has probably already revised his forecast for fiscal 1958 after having seen the results of operations for the three months ended February 28, 1958, which showed net income down 46% from a year ago, and amounting to only 30 cents a share, compared with 65 cents a share for the like period of fiscal 1957. Mr. O'Neill now says that he does not look for any sharp improvement in earnings until about July or August. This suggests that fiscal 1958 earnings will drop to $1.50 a share or less. —END

Greater Vote Appeal in Tax Revision Than in Tax Cut

(*Continued from page* 73)

disposed of at a gain. That is a sample of the approach. It does not loom large in terms of Treasury income but in combination with other moves tends to shift the tax load.

The Route to New Tax Revenues

In addition to formalizing an entry into the field of loophole blocking, the bill has opened wide the subject of tax looseness. Already there is legislation, to come before the current congress, to remove the special tax exemptions which apply to cooperatives. ***Farm cooperatives*** may be able to withstand the attack; they have features which overlap other areas of national policy. The bills are aimed at what is considered to be treatment prejudicial to mutual savings banks, building and loan associations, and credit unions which operate in direct competition with like enterprises which, however, lack the cover of mutuality. The legislation which is to be the starting point toward an estimated $1 billion in new taxes is H.R. 501. Scores of trade groups in a dozen areas of enterprise will be knocking at Congressional doors urging passage.

Lowered depletion allowances have provided huge deductions from taxable income of companies in the fuel and mineral business. Ronald Reagan, motion picture star appearing before the committee to ask for reduction in the higher-bracket taxes and amortization of "good years, over good-and-bad years" adverted to the depletion allowance: "A movie actor has about six very productive years, if he is lucky, but he must pay on all the high income of those years. I wish I were an oil well!"

That leads to consideration of quick ***write-off allowances***—amortization of business investments over a relatively narrow span of years. The committee has been given certified proofs that depreciation plus writeoff can add up to about 50 per cent of an electric power company's investment in the first 17 years of a facility which has 33-year useful life expectancy.

The study disclosed that a ***tax-deductible charitable donation*** may amount to the same thing as a legacy to a family member. Present law provides that both a charitable contribution deduction and an exclusion may not be claimed if the corpus of the charitable trust reverts to the grantor. Taxpayers have found a way to avoid this provision, by having the corpus revert to persons closely related to the donor. Proposed is an amendment which makes it impossible by expanding the meaning of the word "grantor" to include such relatives. Situations were revealed where a trust had been granted for 10 years or more, with none of its earnings taxed during the period because the incomes were paid to legitimate charities. The grantor avoided taxes on the earnings. Eventually the gift money reverted to a relative. It illustrates a case where it has been possible to remove large sums of money from taxability without lessening its corpus, and then pass it on to heirs.

A test case on the propriety of tax exemption for ***Foundations*** has been instituted through a request to the Treasury that the Fund for the Republic be required to pay Federal tax. Rep. Francis E. Walter of Pennsylvania, wrote to Treasury Secretary Robert Anderson complaining that the Fund engages more in propagandizing and attempting to influence legislation than in pursuit of its declared purpose, which is the promotion of education.

This will require the Treasury to re-explore the bases for exempting Foundations and, more particularly, whether existing Funds actually operate within the declared intent of Congress. Rep. Walter says the Fund for the Republic definitely does not. He said: "A staff memorandum (Committee on un-American Activities staff), documents the lack of objectivity on the part of the Fund for the Republic to qualify it as a bona fide educational or scientific organization within the criteria established by the Internal Revenue Code for tax-exempt organizations.

Some Dodges

The Treasury discovered that certain tax-exempt institutions are paying some of their part-time employees all or almost all of their considerable compensation in the form of annuities. This gives these employees a special advantage if the tax on this full amount could thereby be deferred until they begin receiving their pensions. The Treasury is asking Congress to limit to 20 per cent the portion of the compensation which can be treated as deferred income for tax purposes.

A newly discovered tax dodge usually is in litigation 4 or 5 years before the decision is finalized. The effect of this is to create a backlog of business that cannot be administratively or legislatively coped with: a law to close loopholes enacted today will trail avoidance gimmicks which have been used for 3 to 5 years, much of it sheltered under the statute of limitations.

There is one major situation which defeats efforts to close what some consider a gaping loophole, and an equally impressive backing supports as a proper charge: depletion allowances on natural resources. Here, no one is evading a law. Yet many consider the law is wrong, and that the percentage of allowance for depletion of resource is 'way too high and overly generous. But a practical difficulty is encountered here: those who

would increase the Treasury income by cutting the depletion allowance don't have the votes to put through an amendment. There are many states in which this form of tax deduction figures in the standard way of doing business, profits, wages, dividends and other factors of the economy depend on its continuance.

Cooperatives Under Attack

Rep. Noah Mason of Illinois, a republican, is sponsor of legislation which would take cooperatives out of the area of generalization and make each plead its right to special tax consideration. He estimates the cost of this loophole at $1 billion in taxes annually. His arsenal of argument includes the business history of some of the country's largest firms whose brand names are known in every household in the land.

"What I propose," said Mason, "is to amend our tax laws so that the earnings of cooperative corporations would be taxed in exactly the same way that the earnings of other corporations are taxed; so that the earnings of building and loan associations and mutual savings banks would be taxed in exactly the same way that the earnings of the commercial banks with which they compete are taxed; so that the earnings of credit unions would be taxed like the earnings of other lending agencies; so that there would no longer be discrimination between the taxation of mutual fire and casualty insurance companies and the taxation of competing capital stock insurance companies in the same field."

Representative Mason termed a "shameless racket" the practice of doing business without paying taxes. To combat this he has adopted the slogan "Tax the Untaxed to Ease the Tax Load Upon the Overtaxed." That's what his bill would do, he contends: add $1 billion to the Treasury wholly from sources which now evade payments and without imposing an additional dollar's burden on taxed individuals and business.

Congress is viewing charitable trusts and has a dossier of cases which will be eye-openers if they stand up under examination. Educational institutions now operate untaxed airports, coal mines, five-and-ten-cent stores, business buildings, a railroad freight sta-

Outlook For
MACHINERY — MACHINE TOOLS
(See Our Next Issue)

tion, and Churchill Downs race track; one owns a department store building, others make macaroni, piston rings and pottery and leather goods—selling in the "competitive" market without paying taxes.

Rep. Mason estimates at 40,000, the number of profit-making business corporations which today have income tax exemptions or favoritism. The Treasury doesn't challenge the figure. END

Appraising Areas in Throes of Adjustment

(*Continued from page* 66)

manufacturing. Aircraft, auto, machinery and metals centers were particularly hard-hit. Partly seasonal developments, such as construction payroll losses and curtailments in food processing, textiles, lumber and transportation, also contributed to the employment downturn.

Sharpest losses in durable goods employment in March will relate to the aircraft industry, employer reports predict. This forecast is conditioned on the rate of speed with which the accelerated military procurement program moves. But the U. S. Department of Labor urges caution in appraising the impact of the fast program, warning: "It may be some time before these actions are reflected in a pickup in employment in the industry's major centers. However, anticipated losses over the next few months are significantly smaller than those registered during the closing months of 1958."

Among the centers foreseeing further aircraft declines extending through March were Los Angeles, Long Beach, San Diego, Wichita, St. Louis, Paterson, and Columbus.

Autos Still Lagging

The downturn in auto centers through mid-March was evident. Dealer inventories of new cars have reached a record high, forcing producers to revise their production schedules for the first quarter of 1958 to a point 17 per cent below the comparable months of last year. Declines in auto employment were sharpest in Detroit, South Bend and St. Louis areas. Tentative decision by Federal agencies to fill their automobile needs now instead of waiting until later in the calendar year, should help the automotive trades; the accelerated road program should, slowly, provide on-the-job employment, and off-the-job benefits in areas where steel and other supplies originate.

In examining the accompanying map and relating the percentage of unemployment to the overall pattern of spendable income, these facts should be borne in mind: About 60 per cent of the nation's personal income is accounted for by nine states: New York, California, Illinois, Michigan, Pennsylvania, Ohio, Texas, New Jersey, and Massachusetts. The nine states with the smallest income receive 2½ per cent of the national total. The Midwest and Great Lakes areas together account for approximately one-half of all personal income. The five Rocky Mountain States, though embracing huge land area, receive only slightly more than 2 per cent of the nation's income. Per capita income is 19 per cent above the national in the far west and 29 per cent below it in the southeast.

And now, after all is said and done, it is clear that the slowdown in our economy is the result of fundamental weaknesses that came in with the New Deal philosophy of spending ourselves out of depression. To retrace our steps is out of the question, because the obstacles to be overcome would make the cure worse than the disease.

For while we are involved in thinking out the ways and means for solving this depression, we are in the midst of world-wide political upheavals. And science too is ushering in an industrial age of great revolutionary significance that will require considerable time, effort and concentration for development.

Altogether, we face three major problems simultaneously, any one of which will tax our ingenuity and our resources in a way that must inevitably produce a slowing-down period in our economy, and calling for strong measures if we are to accomplish our purpose without going broke. The morale of our workers is of first importance, and the most immediate and direct way to sustain it, is to utilize the various channels of unemployment compensation to tide our people over the bad spots until other avenues of work are opened. —END

Labor Costs In Industrial Countries

(*Continued from page* 79)

fully as important a factor as labor costs.

European Productivity Trends

Unfortunately, labor productivity figures are much harder to come by than labor cost figures, since they vary not only from country to country but also from plant to plant, in line with differences in plant equipment, lay-out, climate, degree of experience of the working force and other imponderables.

The only statements regarding European labor productivity which can be made with a fair degree of accuracy are these: output per manhour is generally still considerably below that prevailing in the United States but it is rising at a faster rate than in the United States. The gap between the two areas is therefore narrowing, although it is still far from closed.

Western Europe's lower overall productivity is illustrated by the following figures: In 1957 the area employed about 31 million people in mining and manufacturing, working an average of about 46 hours per week; the United States, by contrast, employed 17.8 million in mining and manufacturing, working an average of about 40 hours per week. But our smaller labor force, working fewer hours turned out one third more goods than its European counterpart. Expressed as industrial output per manhour, this means that European productivity is only 40 percent of that of the United States.

Table III

Output Per Man-Hour In Manufacturing, 1955

(1950 = 100)

Austria	134
Belgium	123
Canada	113
France	133
West Germany	135
Italy	144
Netherlands	124
Sweden	115
United Kingdom	112
United States	112

Source: United Nations

However, as the Organization for European Economic Cooperation (OEEC) has pointed out in its latest annual report, "the annual compound growth of productivity for Member countries as a whole is expected to be 2.7 percent per year for the five-year period 1956-1960." Such a rate is well above the rate of growth in the interwar period in Europe and is *higher than that experienced in the United States during the last five years.* As the figures in Table III illustrate, such a projected development would only be a continuation of the trend since 1950.

The question of whether Europe's lower productivity, compared to the United States, is offset by its lower labor costs is one of the main debating points in the foreign trade argument. It must also be asked by any American producer who has to decide between exporting to Europe from this side of the Atlantic or opening a subsidiary plant in Europe. While the answer varies from plant to plant, as we pointed out, it may be said in general that labor-intensive industries in Europe are usually competitive with similar industries in the United States.

On the whole, the issue of U.S. vs. foreign productivity seems to have been best formulated by one U.S. manufacturer with foreign subsidiaries who gave the following reply in answer to a survey question on the subject put to him by the National Industrial Conference Board: "Productivity of the workers in the foreign plant is lower than in the U.S. excepting where units are highly instrumentized and automation is employed. This is probably due to general precedent as much as to anything else. The difference in productivity is rapidly narrowing due to improved plant design and automation."

A Warning to American Labor Union Leaders

There can be no doubt that the economic integration of Western Europe will bring forth additional amounts of capital and will permit reduction in unit costs through pooling of technological resources. This is bound to lead to an even faster rise in European productivity than has been the case hitherto. This development should be kept in mind by all U.S. trade union leaders as they sit down to bargain for higher wages. America's productivity is still higher than that of the world's other major industrial area. But if ever-increasing wages should make it impossible to translate our higher productivity into lower prices, America's workers would be the first to suffer from the growing foreign competition. The answer to our foreign trade problem *does not lie* in protective duties which would insulate American business from the healthy stimulus of foreign competition and give American labor a *carte blanche* for ever-higher wage demands. What we must do is to reflect our technological superiority in our real cost structure. This we can do only if future wage increases do not outrun advances in productivity, as they have done for a number of years. —END

Major Study of the Oils

(*Continued from page* 85)

has reached a new record. Italian production is at peak levels; and, in Germany, current production is down only slightly from 1957, the peak year. Similar favorable levels exist in most other countries.

Latest advices from the international companies comment on the industry's problem as being transitory and the fact that prospects for 1958 are generally favorable relative to 1957. While it may be prudent to withhold final judgment, temporarily, many dynamic elements are reaccumulating. Therefore, the break-through may occur somewhat unexpectededly. Portfolios, however, should not be heavily weighted by international companies. Continuous observance of Middle East and other foreign affairs appears prudent. The rise of a broadly effective dictatorship would create serious problems.

Most oil men who carefully study this problem recognize that all of the oil needed in America cannot be found domestically. The truth is that oil is becoming harder and harder to find in the U. S., and, more important, the cost of finding oil is rising rapidly in this country.

Therefore, many American oil companies which have never before entered ventures outside North America, are now looking for oil abroad, not only to supply foreign markets but eventually to meet essential U. S. needs. Oil is critical to the security of the Free World, and the American petroleum industry is meeting its responsibility for assuring access to this important energy source.

Domestic Companies

Except for the small independent refiner, the *domestic integrated companies* have been hit hardest in the past nine months by sliding prices for refined products. Profit margins, generally, have tended to be partly maintained in proportion to the extent that each company's own crude oil production has supplied refinery requirements. Companies purchasing a large percentage of crude oil, such as Sinclair, Cities Service and Standard-Ohio in the integrated group, are most affected by a profit squeeze caused by high crude oil prices and weak product prices.

Crude oil sellers-on-balance, such as Ohio Oil and Skelly, producing more crude than needed for refinery runs, have tended to fare slightly better than companies purchasing a large part of high-cost crude needs. Continental, approximately 100% integrated, has been able to maintain its profit position with relatively less impairment from lower product prices.

The so-called profit squeeze has been decidedly more noticeable in some areas than in others. In the order of severity, prices have weakened most in parts of the East and Gulf Coasts, next in the mid-Continent area and, finally, on the West Coast.

Especially important is the fact that the degree of severity of the price squeeze is related to marketing patterns. Companies retailing branded products, mostly through controlled outlets, have been less affected by weak prices. There are exceptions, of course, as in scattered price-war areas, notably the Northeast—illustrated by the difficulties of Atlantic Refining and Socony. But, in general, wholesale markets have been the poorest. For example, the lack of a normal market has caused independent refiners to resort to extreme, competitive practices in the struggle to dispose of excessive stocks and replace working capital.

Highly-publicized, distress prices of spot or cargo sales represent a small portion of total activity and do not, of necessity, wholly reflect average profit realizations. There can be substantial fluctuations in the price spread between a distress sale and the "going" retail level, a fact generally omitted when discussing current problems. This is to say that the status of the price structure may not be as seriously impaired as widely believed.

Movement to Integration

Current industry problems have tended to lend emphasis to the significance of a high level of vertical integration. Today, the most efficient transporter-marketer is coming fully into his own. And, for that reason, the outlook for such companies as Shell and Sinclair appears substantially more favorable than for those with less highly-developed and regionally diversified operations. Many large crude oil producers may find it difficult to avoid the necessity to integrate or merge despite an historic reluctance to do so.

Each company, therefore must be viewed individually, according to (1) the extent of vertical integration, (2) the areas of operations, and (3) the type of markets. These factors have an important bearing on the extent of vulnerability to adverse cyclical swings of refined product prices. Conversely, of course, as at present, the companies most adversely affected by weak prices are in a position to show the most rapid recovery after product prices stabilize and begin to trend upward. This is a point investors should be most interested in at this time.

The fundamental characteristics of various types of integrated companies are, of course, only part of the story. Large producers of stable-price natural gas tend to have an important offset to lower earning power in periods of weak refined product prices. Weather is the important variable concerning natural gas and to some extent industrial activity. Next, there are the large marketers of LGP (liquified petroleum gas) such as Phillips and Gulf, whose position in this regard is somewhat similar to that of the large producer of natural gas. Another profit consideration is petrochemicals. While some products in this group are over-produced and hence offer slim margins, the general activity offers an important avenue for upgrading crude oil and natural gas. And, in this field, growth can be rapid.

The position of the *independent refiner*, from the above, is fairly evident. A company like Suntide, under present conditions, loses a large part of its customers. The majors, burdened by excessive stocks, need little supplemental supply. When they do, the generally depressed level of spot prices often forces profitless bidding. The refiner, under such conditions may show either a substantial loss or be fortunate enough to cover "out-of-pocket" costs.

Producing companies, in 1957, did well, second to the "internationals". But earnings impairment can hardly be avoided in 1958. Crude oil prices have been shaded and state allowables are so low that even a recovery later in the year is unlikely to make possible an increase in total production for the year. Allowable producing days in Texas, this year, may not exceed 145 days compared with 171 days in 1957 and 190 days in 1956. Of course, new wells, in some cases, may partly compensate. But producers also must contend with higher costs.

Profit growth for the crude oil producer, barring major discoveries, looks relatively poor over the next year or so. Nevertheless, the successful producer may continue to build up asset values and producing capacity which should result in substantial benefit over the longer term. As the country's excess productive capacity tends to dissipate from the attrition of natural decline of existing oil pools and as allowables and payouts at current crude oil prices tend to discourage replacement drilling, producing companies eventually will be called upon to step up the rate of flow from proven properties. Whether or not the extent of the waiting period will be satisfactorily profitable percentagewise is a speculation.

Long Range Oil Prospects

In recent years the substantial appreciation in the prices of oil shares has resulted in a larger than planned percentage of mar-

Demand For Petroleum Products 1927-1937-1947-1957 and Forecast 1967

Table I — United States Domestic Demand

(Thous. Bbls. Daily)

Year	Total Products Volume	Change from Prior Period Volume	%	Gasoline Volume	Change from Prior Period Volume	%	Middle Distillates Volume	Change from Prior Period Volume	%	Residual Fuel Oil Volume	Change from Prior Period Volume	%	All Other Products Volume	Change from Prior Period Volume	%
1927	2,201	1,285[e]	140	837	683[e]	443	n.a.	n.a.		n.a.	n.a.		n.a.	n.a.	
1937	3,203	1,002	46	1,423	586	70	471	193[e]	69	892	137[e]	18	417	86[e]	28
1947	5,452	2,249	70	2,178	755	53	1,098	627	133	1,421	529	59	755	338	81
1957	8,911	3,459	63	3,835	1,657	76	2,037	939	86	1,523	102	7	1,516	761	101
1967	12,650	3,739	42	5,450	1,615	42	2,700	663	33	1,675	152	10	2,825	1,309	86

Table II — Free World Demand

Year	U.S. Total Demand Volume	Change from Prior Period Volume	%	Exports from U.S. Volume	Change from Prior Period Volume	%	U.S. Domestic Demand Volume	Change from Prior Period Volume	%	Free. For. Local Demand* Volume	Change from Prior Period Volume	%	Total Free World Volume	Change from Prior Period Volume	%
1927	2,590	1,497[e]	137	389	212	120	2,201	1,285[e]	140	880	530	151	3,081	1,815	143
1937	3,678	1,088	42	475	86	22	3,203	1,002	46	1,718	838	95	4,921	1,840	60
1947	5,902	2,224	60	450	(25)	(5)	5,452	2,249	70	2,652	934	54	8,104	3,183	65
1957	9,476	3,574	61	565	115	26	8,911	3,459	63	7,187	4,535	171	16,098	7,994	99
1967	12,850	3,374	36	200	(365)	(65)	12,650	3,739	42	12,500	5,313	74	25,150	9,052	56

*—Present territory. e—Estimate. n.a.—Not available.

ket value being represented by petroleum equities, relative to other industrial groups. In numerous cases of large portfolios an originally allocated 10% to 15% of total investment grew to 30% or better. In the past six months, there has been considerable adjustment selling of oil stocks to realign holdings more broadly among the various industrial groups. This corrective practice has been misconstrued, generally, as indicating that the future growth prospects for petroleum companies has become relatively unattractive. Little effort is required in the examination of other industrial groups to determine that such unfavorable concept is not factually supportable.

National security and general economic health dictate a continuance of measures protective to the stability of the domestic petroleum industry. The rapid growth of foreign economies and the promising market potential of underdeveloped areas plus the responsible leadership of important oil companies appear to offer adequate bases for confidence in the containment of potential threats to profitable foreign operations.

As an essential commodity, oil has a vital part in supplying the growing energy needs of the free world, although, perhaps, at a less accelerated rate than during the postwar decade. Conservative projections of demand growth of 3% annually in the United States and 6% in free-foreign areas appear reasonable. If these forecasts are realistic, there are numerous opportunities for investors to participate in such growth through carefully selected equities of ably-managed, strong petroleum companies likely to outperform the average growth of the industry.

—END

Genius at Work —Why a Depression Can Only Be Temporary

(*Continued from page* 70)

system that once irrigated the Negev. So well was it constructed that parts of it are still functioning today. Certainly if the ancients, with their crude engineering methods could solve the problem of land fertility in an area of minimal rainfall, we should at least be capable of duplicating their accomplishment.

And then there is the vast land area of the interior of Australia—an entire continent of wasteland inhabited by a few aborigines and a profusion of wildlife, that can someday be converted into a huge granary capable of feeding much of the world's burgeoning population. The task isn't as difficult as it sounds, since in the land "down under" things are really topsy-turvy, and under the arid deserts flow extensive subterranean rivers whose waters can be tapped and used to irrigate the sun-blistered plain.

The Future

With so many new mouths to feed, and so many vital projects waiting to be performed, there is ample room for free enterprise to blossom forth into a new and unprecedented boom after the current adjustment has run its course. Moreover the brief catalog we have given here only scratches the surface of the huge industries that await development on the heels of technological achievement.

In the meanwhile, however, it is encouraging to realize that industry is not sitting on its hands. Cooperative endeavors, such as Chrysler's quest for a sky-car bespeak a new outlook in our industrial economy—one which seeks to contribute to the sound growth of the economy while plying one's own course through day-to-day business activities.

If truly new stimulants are needed to rekindle the growth spark for our economy, they already exist in the type of developments we have outlined here. They may still be a little way off—but they are coming! END

For Profit and Income

(*Continued from page* 95)

there appear to be potentials for moderate further rise in both of these stcks—but not for a great deal. That is the rub with good stocks at this stage. Meanwhile we see very few cycle-type stocks that look appealing when risk is balanced against promise.

Growth

Last September, Florida Power & Light was recommended here at 45, down roughly 25% from its 1957 bull-market high of 59¾. It subsequently rose about 40% to a new 1958 all-time high above 63. Buyers genuinely interested in long-pull growth should maintain holdings. However, the current yield is absurdly low and the stock can react. We definitely would defer new buying. Nor can we cite any compelling argument against some profit taking.

Oils

Based on technical indications and the further curb on imports the domestic oil stock group may possibly have put its low behind. But it is one of the few important lows made since the turn of the year, so the "base" is far from strongly defined. One argument is: If coppers can do better on slim little foundation therefor, why not oils?

Eastern Airlines

Reported net of this best-managed air line fell nearly 40% in 1957 to $3.00 a share, of which only about $1.57 was operatin

3 Forecast Stocks Set New Highs in March

— Our American Chicle has just hit a new 1956-57-58 peak of 70½ compared with our buying price of 43¾

— Our Pacific Gas & Electric recently advanced to a new 1957-58 high of 52¾ from our purchase recommendation at 33¼

— Our Reynolds Tobacco B has just reached a new 1957-58 top of 70½ — up from our buying advice at 55⅜ last year

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Our March audit showed that for all 16 stocks carried in our weekly bulletins — profits of over 305 points had accrued from our original purchase prices. Our stocks currently fall into two principal categories:

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(2) Leaders in missiles, high-energy fuels, rocket engines, electronics . . . prime beneficiaries of our revitalized defense program.

Our success in meeting the challenge of the difficult 1957 market was *outstanding.* We were virtually alone in advising subscribers to "salt down" handsome profits in May and July . . . to increase cash reserves to 52%, just before the major decline got under way.

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profit. The company has the aid now of a passenger fare boost of about 6.6% ; and a change to a less conservative depreciation schedule, ordered by CAB, could add something like $3 a share to stated profits, other things being equal. There have been some foolish estimates that Eastern might report $6 to $8 a share for 1958. Don't believe it. Operations in the vital New York to Florida route have been miserable, with no major betterment possible before the final quarter. The competition is keen. A lot of empty seats are being flown. The line has less old equipment to sell for non-recurring 1958 profit. We venture no estimate, but would not be surprised if earnings prove no better than last year's or somewhat lower. The stock does not look at all cheap to us around 37. — END

Answers to Inquiries

(*Continued from page* 102)

lion to $93 million. Authorized capital commitments at year-end amounted to $24 million.

Involved in the expansion program has been the development of three major new mines. The Humphrey Mine near Morgantown, West Virginia has been completed and is equipped to produce up to 20,000 tons per day, principally metallurgical coal. The new Loveridge Mine near Fairview in northern West Virginia will produce steam coal for general markets with an initial capacity of 1,500,000 tons; its preparation plant should be ready in the second quarter.

The Ireland Mine on the Ohio River at Cresap, West Virginia, will supply the fuel needs of the Kammer Station of American Gas & Electric Co. The first of three original 225,000 KW units of the power plant will go on the line this spring. When all three are in operation, Ireland will produce 1.8 million tons annually.

Dividends in 1957 totalled $1.20 per share and 30 cents quarterly has been paid thus far this year.

Harsco Corporation

"Could you please give me particulars in regard to recent earnings of Harsco Corp. and also dividend payments?"

W. F., Trenton, N. J.

Both sales and earnings of Harsco Corp. (formerly Harrisburg Steel Corp.) reached new highs in 1957 and for the fifth consecutive year were substantially above those for the preceding 12-month period. These achievements reflect in part the high level of general industrial activity prevailing throughout most of the year but the company's expansion and diversification program inaugurated five years ago was also an important contributing factor.

During 1957, the Heckett Engineering division, the world's largest reclaimer of metal from steel making slag, placed 11 new installations in operation: 4 at leading steel mills in the U.S., 2 in the British Isles, 2 in South Africa and 1 each in India and Australia.

In addition, 3 well established concerns were acquired: Standard Die Set Manufacturers, Inc. (July 1), Frederick Colman & Sons, Inc. (September 17) and Ainsworth Manufacturing Corp. (October 31). The new acquisitions materially broaden the company's product lines and with combined sales of $44 million, only slightly less than Harsco's total sales for the entire year of 1955, would have raised the volume to approximately $130 million had they been part of the enterprise for the full year of 1957. Overall results for 1957 include those for the newly acquired companies only from their respective dates of acquisition and record sales and earnings would have been achieved by Harsco even without the contributions received from them.

Shipments of most of the company's products were above those of the previous year.

Consolidated net sales of Harsco Corp. and subsidiaries for the year ended December 31, 1957 totalled $90,666,048, as compared with $76,328,121 for 1956. Earnings before provision for taxes on income amounted to $15,067,901, against pre-tax earnings of $12,892,816 for the previous year.

Net income, after Federal, State and foreign taxes on income, were $7,000,788, equal to $4.77 per share on the 1,468,477 shares of common stock outstanding at year-end, which includes 77,756 shares issued as stock dividends during the year as well as 119,447 shares issued for Ainsworth Manufacturing Corp. and Standard Die Set Manufacturers, Inc. This compares with $5,825,184, or $4.43 per share for 1956 calculated on the 1,315,784 shares outstanding at December 31, 1956 adjusted for stock dividends.

Current cash quarterly dividend is 50 cents per share. —END

Market Sees Inflation-Deflation Struggle

(*Continued from page* 63)

values could easily be exaggerated. You should hold adequate buying reserves and continue to lean to the conservative side in portfolio adjustments.

—MONDAY, APRIL

As I See It!

(*Continued from page* 61)

really going to be done for them. Her recent default on the bonds which represented the forced savings of the people leads us to believe that, despite Khrushchev's boasts, Russia is not as strong financially as she would like to have us believe — or politically either.

In fact, the elevation of Khrushchev to the leadership of the Soviet government was significant in showing the need for a return to the one-man dictatorship which they found so effective under Stalin.

There was, undoubtedly, a twofold purpose in calling for an end to nuclear tests. Khrushchev, master of deceit, wanted to make the world believe in his benevolence—that he had seen the light—and that it was the West who was plotting a world war. At the same time he was counting on the success of his plan to free him from restraint, enabling the carrying on of his nefarious schemes without fear of military reprisal.

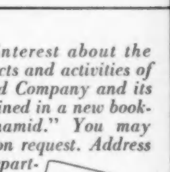
To accede, therefore, would be to endanger all the free people of the world, for evidence from important sources makes it clear that it would be entirely possible to explode a nuclear bomb without its being detected—so vast are the stretches of uninhabited Russian lands. And from our past experience, we know Russia would act surreptitiously regardless of any agreements made, so that our only security lies in the plan of free and open inspection first advocated by this country in the Baruch Plan.

A new insecticide that "grows" right in the plant!

Now, for the first time, an insecticide has been developed that can be coated on the seeds and carried right into the growing plants. Thus, in early stages of growth, plants can be given their own "built-in" protection against insects. This new product, THIMET® systemic insecticide, is a pioneering development of Cyanamid's chemical research. It is already being used to control insect damage to young cotton plants, alfalfa and sugar beets—with dramatic success. Research is now going forward to apply its benefits to other crops.

Here is the beginning of a new era in insect control. The development of THIMET—a new application of chemical science to agriculture—is typical of the contributions Cyanamid chemistry is making to progress in many fields.

INFORMATION *of interest about the organization, products and activities of American Cyanamid Company and its subsidiaries is contained in a new booklet, "This is Cyanamid." You may obtain a copy free on request. Address Public Relations Department, American Cyanamid Company, 30 Rockefeller Plaza, New York 20, N. Y.*



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